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THE EMPLOYMENT OPPORTUNITIES FOR DISABLED AMERICANS ACT OF 1985

COMPLETED
89
ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON SELECT EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 2030

EMPLOYMENT OPPORTUNITIES FOR DISABLED AMERICANS ACT

HEARING HELD IN WASHINGTON, DC, OCTOBER 17, 1985

Serial No. 99-59

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EMPLOYMENT OPPORTUNITIES FOR DISABLED AMERICANS ACT OF 1985

THURSDAY, OCTOBER 17, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SELECT EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 10:45 a.m., in room 2257, Rayburn House Office Building, Hon. Pat Williams (chairman of the subcommittee) presiding.

Members present: Representatives Williams, Martinez, Bartlett, and Jeffords.

Staff present: S. Gray Garwood, staff director; Robert Silverstein, counsel; Colleen Thompson, clerk; Patricia Morrissey, minority senior legislative associate; and David Esquith, minority legislative associate

Mr. WILLIAMS. I call to order this hearing before the Subcommittee on Select Education.

On April 15 of this year, my colleague, the ranking member of this subcommittee, Mr. Bartlett, introduced H.R. 2030, the Employment Opportunities for Disabled Americans Act. I commend Steve for that effort to improve employment opportunities for severely disabled individuals.

[Text of H.R. 2030 follows:]

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I

99TH CONGRESS
1ST SESSION

H. R. 2030

To make permanent and improve the provisions of section 1619 of the Social Security Act which authorize the continued payment of SSI benefits to individuals who work despite severe medical impairment, to amend such Act to require concurrent notification of eligibility for SSI and medicaid benefits and notification to certain disabled SSI recipients of their potential eligibility for benefits under such section 1619, and to provide for a GAO study of the effects of such section's work incentive provisions; and to amend the Rehabilitation Act to establish demonstration grant programs for the employment of disabled workers.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1985

Mr. BARTLETT (for himself, Mr. FORD of Tennessee, Mr. CAMPBELL, Mr. JEFFORDS, Mr. JONES of Oklahoma, Mr. GRADISON, Mr. GOODLING, Mr. MURPHY, Mr. TAUKE, Mr. GUNDERSON, Mr. NIELSON of Utah, Mr. DUNCAN, and Mr. MCCAIN) introduced the following bill; which was referred jointly to the Committees on Ways and Means and Education and Labor

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A BILL

To make permanent and improve the provisions of section 1619 of the Social Security Act which authorize the continued payment of SSI benefits to individuals who work despite severe medical impairment, to amend such Act to require concurrent notification of eligibility for SSI and medicaid benefits and notification to certain disabled SSI recipients of their potential eligibility for benefits under such section 1619, and to provide for a GAO study of the effects of such section's work incentive provisions; and to amend the Reha-

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bilitation Act to establish demonstration grant programs for the employment of disabled workers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Employment Opportunities for Disabled Americans Act".

TITLE I—SSI WORK INCENTIVE PROVISIONS

SECTION 101. Section 201(d) of the Social Security Disability Amendments of 1980 (as amended by section 14(a) of the Social Security Disability Benefits Reform Act of 1984) is further amended by striking out ", but shall remain in effect through June 30, 1987".

SEC. 102. (a) Paragraph (1) of section 1619(a) of the Social Security Act and paragraph (1) of section 1619(b) of such Act are each amended—

(1) by inserting after "found to be under a disability" the following: "(whether or not he meets other disability-related requirements for eligibility for benefits under this title)"; and

(2) by striking out "benefits under this title;" and inserting in lieu thereof "such benefits".

(b) Section 1619(b) of such Act is amended—

(1) by striking out "title XIX" in paragraph (3) and inserting in lieu thereof "title XIX or XX"; and

(2) by striking out "title XIX" in paragraph (4) and inserting in lieu thereof "titles XIX and XX".

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(c) Section 1619 of such Act is further amended by adding at the end thereof the following new subsection:

"(d)(1) For purposes of subsection (a), an individual who was not eligible to receive a benefit under section 1611(b) or under this section for the month preceding the month for which eligibility for benefits under this section is now being determined shall nevertheless be deemed to have been eligible to receive a benefit under section 1611(b) or under this section for that month if—

"(A) he was ineligible to receive such a benefit for that month, or for that month and one or more additional months (in a period of consecutive months) immediately preceding that month, solely because he had received income of an unusual and infrequent or irregular nature, but

"(B) he received such a benefit for the month preceding the first month of such ineligibility.

"(2)(A) For purposes of subsection (b), an individual who did not receive any payment described in clause (i), (ii), (iii), or (iv) of such subsection for the month preceding the first month in the period to which such subsection applies shall nevertheless be deemed to have received such a payment for the month preceding the first month in such period if—

"(i) he was ineligible to receive such a payment for that month, or for that month and one or more ad-

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ditional months (in a period of consecutive months) immediately preceding that month, solely because he had received income of an unusual and infrequent or irregular nature, but

"(ii) he received such a payment for the month preceding the first month of such ineligibility.

"(B) In determining under subsection (b)(4) whether or not an individual's earnings are sufficient to allow him to provide for himself a reasonable equivalent of the benefits under this title and titles XIX and XX which would be available to him in the absence of such earnings, there shall be excluded from such earnings an amount equal to the sum of any amounts which are or would be excluded under clauses (ii) and (iv) of section 1612(b)(4)(B) (or under clause (iii) of section 1612(b)(4)(A)) in determining his income.

"(C) Determinations made under subsection (b)(4) shall be based on information and data updated no less frequently than annually.".

SEC. 103. Section 1631 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Notifications to Applicants and Recipients

"(j)(1) The Secretary shall establish and implement procedures to ensure that, whenever an individual is formally notified of his or her eligibility for benefits under this title,

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such individual is concurrently notified of the medical assistance which is available to such individual under the applicable State plan approved under title XIX.

"(2) The Secretary shall automatically notify any individual receiving benefits under section 1611(b) on the basis of disability of his or her potential eligibility for benefits under section 1619 (and for continuing benefits under title XIX pursuant to section 1619(b))—

"(A) at the time of the initial award of such benefits (or within 30 days after the date of the enactment of this subsection in the case of an individual already receiving benefits under section 1611(b) on that date); and

"(B) whenever such individual's earned income for any month (other than income excluded pursuant to section 1612(b)) is $200 or more.".

SEC. 104. (a) The Comptroller General of the United States shall conduct a study of the operation of section 1619 of the Social Security Act, with the particular objective of evaluating the work incentive provisions of such section and determining—

(1) the extent to which such section is utilized by individuals who work despite severe medical impairment, and the extent to which the provision of such benefits contributes to the accomplishment of the pur-

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poses of the supplemental security income program; and

(2) the effects and effectiveness of the dissemination, training, and related programs and activities which are conducted in connection with the provision of benefits under such section.

(b) In carrying out the study under subsection (a)(1), the Comptroller General shall determine (for individuals from each State, and for each of the calendar years 1985, 1986, and 1987, separately specified)—

(1) the number of individuals who receive benefits under section 1619 of the Social Security Act;

(2) the number of individuals receiving benefits under such section who become ineligible for such benefits due to their income;

(3)(A) the number of individuals receiving benefits under such section who become ineligible for such benefits for reasons other than their income, and (B) the reasons for such ineligibility;

(4) the number of individuals who are notified (under section 1631(j)(2) of the Social Security Act or otherwise) of their eligibility or potential eligibility for benefits under such section;

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(5)(A) the number of individuals so notified who decline to apply for or receive benefits under such section, and (B) their reasons for declining such benefits;

(6) with respect to the individuals receiving benefits under such section who become ineligible for such benefits, the amount or rate of their countable earned income before beginning to receive such benefits as compared to the amount or rate of their countable earned income after becoming ineligible;

(7) the Federal and State costs incurred in the provision of medical assistance (under the State plan approved under title XIX) to individuals receiving benefits under such section 1619 as compared to the corresponding costs incurred in the provision of such assistance to other individuals receiving benefits under this title, stated both in the aggregate and on an average per capita basis;

(8) the role of State vocational rehabilitation agencies in the implementation of such provisions; and

(9) the estimated costs or savings to the Federal Government which are attributable to such provisions.

(c) The Secretary of Health and Human Services shall make available upon request to the Comptroller General, for purposes of this section, any information and data which has been developed or collected by the Secretary in the conduct

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of studies having objectives similar or related to the objective specified in subsection (a) and involving items or matters similar or related to those set forth in subsection (b).

(d) The Comptroller General shall submit to the Congress, on or before October 1, 1988, a full report of the findings made in the study conducted under subsection (a).

SEC. 105. The amendments made by this title shall take effect on the date of the enactment of this Act.

TITLE II—DISABLED WORKERS DEMONSTRATION PROGRAM

SEC. 201. Title VI of the Rehabilitation Act is amended by inserting after part B the following new part:

"PART C—DISABLED WORKERS DEMONSTRATION PROGRAM

"ESTABLISHMENT OF PROGRAM

"SEC. 631. (a) The Secretary of Education, through the Commissioner of the Rehabilitation Services Administration, shall establish a grant program to assist employers to plan, implement, operate, expand, and evaluate retention and reemployment demonstration programs for disabled workers.

"(b) For the purposes of this part—

(1) the term 'disabled worker' means an individual with a permanent handicapping condition which precludes active employment, in the job classification or industry in which such individual was employed before

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becoming disabled, without rehabilitation, retraining, or job modification; and

(2) the term "employers" includes employer organizations and consortiums and State and local governments.

"PLANNING GRANTS

"SEC. 632. (a) The Secretary shall establish a grant program to assist employers to develop plans for the initiation or substantial expansion of a comprehensive retention and reemployment program for disabled workers. Any grant under this section shall be a one-time award for one year.

"(b) An application for assistance under this section shall—

"(1) describe the organizational units and individuals to be involved in the planning process;

"(2) contain an estimate of the planning costs and the requested Federal grant assistance;

"(3) describe the potential scope of any retention and reemployment program;

"(4) describe any technical assistance required for planning activities; and

"(5) include such other information and assurances as may be required by the Secretary.

"(c) Any plan developed through the grant program under this section shall include—

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"(1) a management plan which coordinates information, assistance, and benefits to disabled workers with handicapping conditions;

"(2) the active and early involvement of all relevant personnel in the retention or reemployment of a disabled worker;

"(3) the use of rehabilitation services and counselors in the reemployment process;

"(4) a full range of job rehabilitation options, including job restructuring and retraining for disabled workers participating in the reemployment program;

"(5) training of supervisory personnel in the consequences and benefits of the rehabilitation process;

"(6) work incentives, including career advancement for disabled workers participating in the reemployment program; and

"(7) an evaluation plan to assess the effects and the effectiveness of the reemployment program.

"IMPLEMENTATION OR EXPANSION GRANTS

"SEC. 633. (a) The Secretary shall establish a grant program to assist employers to implement or substantially expand a comprehensive retention and reemployment program for disabled workers. A grant under this section may be made to a recipient for not more than three years.

"(b) An application for assistance under this section shall—

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"(1) describe the manner in which the retention and reemployment program will operate;

"(2) describe the size and scope of the retention and reemployment program;

"(3) describe the rehabilitative services to be provided under such program;

"(4) outline any incentives for participation of disabled workers in such program;

"(5) contain an estimate of the implementation or expansion costs and the requested level of Federal grant assistance under this section;

"(6) contain an evaluation and reporting plan; and

"(7) include such other information and assurances as may be required by the Secretary.

"(c) An employer receiving assistance under this section shall give priority consideration in determinations regarding participation in a retention and reemployment program to disabled workers who are or were employees of that employer.

"EVALUATION GRANTS

"SEC. 634. (a) The Secretary shall establish a grant program to assist employers in evaluating the effectiveness of any retention and reemployment program for disabled workers. Any grant under this section shall be a one-time award for one year.

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"(b) Any employer receiving a grant under this section shall submit a report to the Secretary in such form, at such times, and containing such information as the Secretary may require, including—

"(1) the number of disabled workers who have participated in the program, including the numbers who are currently participating, have been terminated, have completed the program, and have completed the program and are employed without assistance under this part;

"(2) the number of disabled workers receiving benefits on the basis of blindness or disability under the Social Security Act or under any other Federal or state program before, during, and after completion of participation in the program;

"(3) the costs of rehabiltation, job modification, workplace modification, retraining, and other services provided under such program;

"(4) comparative sick leave and absenteeism rates for participants in such program and other employees; and

"(5) comparative employee health care insurance costs for participants in such program and for other employees.

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"ADMINISTRATIVE PROVISIONS

"SEC. 635. (a)(1) Any employer requesting a grant from the Secretary under this part shall submit an application to the Secretary in such form and at such times as the Secretary may require consistent with the provisions of this part.

"(2) In reviewing applications for grants under this part, the Secretary shall consider, among other factors, the numbers of disabled workers served, the numbers employed, the length of employment, the salaries earned by participants, and the extent of integration with non-disabled workers.

"(b) No part of any funds provided under this part may be used to pay the salary of any disabled worker.

"(c) The Secretary shall actively collect and disseminate information concerning the availability of grants under this part and concerning the development and operation of demonstration programs under this part.

"AUTHORIZATION OF APPROPRIATIONS AND USE OF FUNDS

"SEC. 636. (a) There are authorized to be appropriated for the purposes of this part $5,000,000 for the fiscal year 1986, $5,500,000 for the fiscal year 1987, $6,000,000 for the fiscal year 1988, $6,500,000 for the fiscal year 1989, $7,000,000 for the fiscal year 1980, $7,500,000 for the fiscal year 1991, and $8,000,000 for the fiscal year 1992.

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"(b) Of the funds appropriated under subsection (a) for any fiscal year not less than 70 percent shall be used for the purposes of section 633.".

SEC. 202. The amendment made by section 201 shall take effect October 1, 1985.

TITLE III—EMPLOYMENT OPPORTUNITIES DEMONSTRATION PROGRAM FOR SSI AND DISABILITY INSURANCE RECIPIENTS

SEC. 301. Title VI of the Rehabilitation Act (as amended by section 201 of this Act) is further amended by inserting after part C the following new part:

"PART D—EMPLOYMENT OPPORTUNITIES DEMONSTRATION PROGRAM FOR SUPPLEMENTAL SECURITY INCOME AND SOCIAL SECURITY DISABILITY INSURANCE RECIPIENTS

"ESTABLISHMENT OF GRANT PROGRAM

"SEC. 641. (a) The Secretary of Education, through the Commissioner of the Rehabilitation Services Administration, shall establish a grant program to assist the States in establishing and operating demonstration programs to promote, identify, secure, and evaluate employment opportunities for individuals receiving supplemental security income benefits under title XVI of the Social Security Act on the basis of blindness or disability, and individuals receiving disability insurance benefits under section 223 of the Social Security Act

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or receiving benefits on the basis of disability under section 202(d) of such Act.

"(b) Any employment opportunity program established and operated under this part shall—

"(1) promote employment of individuals eligible to participate in programs under this part;

"(2) encourage such individuals to seek employment;

"(3) match employers with such individuals desiring employment;

"(4) strongly encourage workplace integration of such individuals with non-disabled workers;

"(5) coordinate State and other Federal resources and services with those available under such employment opportunity program; and

"(5) subject to the limitations under section 643(a), provide any necessary direct employment opportunity services to such individuals and employers including job development, counseling, technical assistance, job trainers, job assistants, provision of or payment for the costs of transportation and health care insurance, and other rehabilitation services.

"(c) A grant under this part may be made to a recipient for not more than 3 years.

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"APPLICATIONS

"SEC. 642. Any State requesting a grant from the Secretary under this part shall submit an application to the Secretary in such form, at such times, and containing such information and assurances as the Secretary may require. Such application shall—

"(1) describe the manner in which the employment assistance program will be established and operated, including a program evaluation;

"(2) contain an estimate of the cost for the establishment and operation of the program;

"(3) contain assurances that the State will operate such program through the State designated unit in cooperation with other State agencies, entities of local government, and individual employers; and

"(4) contain assurances that financial assistance provided under this part will be obligated and expended in a manner consistent with the provisions of section 643(a).

"USE AND ALLOCATION OF FUNDS

"SEC. 643. (a) Not less than 70 percent of any grant under this part shall be expended for the following services and benefits provided for individuals employed through employment assistance programs under this part:

"(1) job assistants;

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"(2) payments to employers for reimbursement of not more than 50 percent of the cost of job and workplace accommodation and modification;

"(3) not more than 80 percent of any abnormal costs of private health care insurance, if health care coverage is not otherwise available;

"(4) not more than 75 percent of the salary of a job trainer for not more than one year;

"(5) not more than 50 percent of job transportation costs, if not otherwise provided.

"(b) In reviewing applications for assistance under this part and the allocation of funds, the Secretary shall consider, among other factors—

"(1) the number of individuals receiving benefits described in section 641(a) assisted or to be assisted under such employment program;

"(2) the number of employers, positions occupied or to be occupied by such individuals, and the nature of employment; and

"(3) the number of such individuals in the State.

"ADMINISTRATIVE PROVISIONS

"SEC. 644. The Secretary shall actively collect and disseminate information concerning the availability of grants under this part and concerning the development and operation of programs under this part.

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"AUTHORIZATION OF APPROPRIATIONS

"SEC. 645. There are authorized to be appropriated for the purposes of this part $5,000,000 for fiscal year 1986, $10,000,000 for fiscal year 1987, $15,000,000 for fiscal year 1988, $15,000,000 for fiscal year 1989, $15,000,000 for fiscal year 1990, $10,000,000 for fiscal year 1991, and $5,000,000 for fiscal year 1992.".

EFFECTIVE DATE

SEC. 302. The amendments made by section 301 shall take effect October 1, 1985.

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Mr. WILLIAMS. The purpose of this hearing is limited to an exploration of H.R. 2030. Specifically, the hearing will explore whether the specific strategies set out in the bill constitute the best approach for addressing the stated goals of the legislation.

Title I of the bill would make permanent section 1619, a work incentive provision in the Social Security Act, and require the Social Security Administration to notify disabled supplemental security income recipients of its availability.

Section 1619 authorizes the continued payment of SSI to and continued eligibility under the Medicaid Program for individuals who are able to engage in substantial gainful activity despite severe medical impairments.

With respect to title I of the bill, I would appreciate it if witnesses could comment on the need for this provision, the estimated cost, and whether other or additional strategies might be pursued for satisfying the objectives of title I.

In particular, I would be interested in comments by the witnesses about whether 1619 should be limited to SSI recipients or whether it should be expanded to include SSDI recipients.

I am also interested in your comments about the current SGA level. It is my understanding that the SGA level, which is currently at $300 a month for severely disabled individuals—other than the blind, for whom the SGA level is $610—has remained at that $300 for approximately 6 years now. Some people contend that it is the low SGA level that is the most serious deterrent to rehabilitate the disabled back into the work force.

Title II of the bill would amend the Rehabilitation Act by establishing a demonstration program to encourage employes to retain and retrain workers who were not disabled when they started work but who became disabled after they commenced employment. Under title II employers are eligible for three separate grants of limited duration: planning, implementation, and evaluation.

I would ask that the witnesses comment on the relative need of a Federal focus on retention and retraining compared with other pressing needs and whether other strategies might be more apt to accomplish the objectives of title II. For example, the existing act has in place the Projects With Industry Program, which appears to be highly successful in working with industry and is presently the subject of a congressionally mandated study. Perhaps we should increase the authorization for the PWI Program and increase appropriations rather than add the proposal before us.

Title III of the bill would amend the Rehabilitation Act by establishing a second new program. This program would assist States to secure job placements for disabled SSI and SSDI recipients through the provision of job-related assistance to employers.

Once again, I would ask the witnesses to comment, if you could, on whether title III is the best approach for accomplishing its objectives and the desirability of establishing a new program when the Projects With Industry Program has similar objectives. For example, title II places limits on the percentage of costs for services and benefits provided to disabled individuals and limits the duration of the assistance. No comparable limitations exists under the current program.

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I look forward to your testimony and, Steve, I look forward to your opening statement.

Mr. BARTLETT. Thank you, Mr. Chairman. I want to thank the chairman and the subcommittee for scheduling this hearing. As the subcommittee begins to review both education of the handicapped and authorization of the Rehabilitation Act, I think it is especially important that we, in the beginning of that process, that we focus on the subject of today's hearing, which is Employment Opportunities for Disabled Americans Act.

Now, the strict or limited focus is the Employment Opportunities for Disabled Americans Act, which addresses a concern that directly affects at least 1 out of every 11 working age Americans, but indirectly, every taxpayer of every age and every family.

I would comment that it is not necessary to focus the hearings on the narrow focus of merely what is in the bill entitled "H.R. 2030," but rather, to allow the range of discussion to discuss the title of "Employment Opportunities for Disabled Americans" and to pose the question that if you were drafting a bill entitled Employment Opportunities for Disabled Americans Act, what would you put in it and help us to identify what disincentives to employment exists in current law.

When one begins to review the data available on working age adults, the status of disabled Americans is a subject of great concern both to this subcommittee and to the entire Nation, but to this subcommittee in light of our jurisdiction over the Vocational Rehabilitation Act and the education of the handicapped.

The achievements of these two programs become compromised if capable disabled adults cannot apply their skills in the workplace. The Employment Opportunities for Disabled Americans Act, as it is now and as it will be when it's passed, addresses some of the barriers to employment faced by persons with disabilities. I hope the witnesses address other barriers.

I would ask unanimous consent the full text of my remarks be put in the record.

Mr. WILLIAMS. Without objection.

[Prepared statement of Hon. Steve Bartlett follows:]

PREPARED STATEMENT OF HON. STEVE BARTLETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, today's hearing on the Employment Opportunities for Disabled Americans Act addresses a concern that directly affects at least one out of every eleven working-age Americans. When one begins to review the data available to us on working-age adults, the status of disabled Americans is a subject of great concern to the select Education Subcommittee in light of the Subcommittee's jurisdiction over the Vocational Rehabilitation Act and the Education of the Handicapped, two of the major Federal programs devoted to preparing persons with disabilities for the world of work. The achievements of these two programs are compromised if capable disabled adults cannot apply their skills in the workplace. The Employment Opportunities for Disabled Americans Act addresses some of the barriers to employment faced by persons with disabilities.

A profile of "typical" working-age Americans reveals a great deal about the issues before the Subcommittee today. Consider these facts taken from the 1981 Current Population Survey conducted by the U.S. Bureau of the Census. The typical working-age American, not in an institution, is a high school graduate, is in the labor force, works full-time and had about $8000 in income from all sources in 1980. By contrast, the typical working-age disabled American is a high school graduate, is not in the labor force, does not work full- or part-time, and had about $5000 in income

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from all sources in 1980. The staus of working-age disabled blacks and hispanics is even more distressing. The typical working-age disabled black American has a tenth grade education, is not in the labor force, does not work full- or part-time, and had less than $3000 in income from all sources in 1980.

The number of working-age disabled persons living in poverty is startling. In 1980, 26 percent of these disabled individuals lived below the poverty line. While making up approximately 8.8 percent of the working-age population, these same individuals made up 20 percent of all persons of working age living in poverty. Another way to express this is that one disabled person in four had income below the 1980 poverty line, by contrast, one non-disabled person in ten had so low an income.

There should be no doubt in anyone's mind that the employment status of persons with disabilities is a major social problem. That said, the question becomes what can we do toward finding a solution to that problem. Part of the answer lies in identifying and doing away with disincentives to work which may have arisen out of any number of well-intended social programs.

H.R. 2030 contributes to removing barriers to employment by permanently authorizing section 1619 of the Social Security program, requiring certain notification practices of section 1619, and authorizing two demonstration programs under the Rehabilitation Act. The permanent authorization of section 1619 will provide a significant number of disabled Americans in the SSI program with financial incentives to work. The fear of losing Medicaid benefits, a major work disincentive, will be negated and those earning above the current SGA level of $325 will find employment more profitable than unemployment. This issue of health care coverage for disabled persons is a complex area that begs for a close partnership between public and private sector interests. I hope that H.R. 2030 triggers a response to the health care needs of persons with disabilities in order not only to promote better health but also the employment status of disabled Americans.

The two demonstration programs under H.R. 2030 are authorized for seven years and are designed to promote retraining and reemployment of disabled workers as well as employment for SSI and SSDI recipients.

Today's hearing marks a beginning of what I am sure will be a long and deliberate process. H.R. 2030 will undoubtedly go through a series of changes before it will be crafted so as to reduce disincentives to work without compromising the benefits of social programs which may inadvertently generate those disincentives. I am eagerly looking forward to the testimony of today's witnesses and encourage them to share their thoughts with us on H.R. 2030 as a vehicle for improving the unemployment status of disabled Americans.

Mr. BARTLETT. And add two additional points. One is that this hearing is about how to remove those disincentives to employment. Therefore, I would ask the witnesses to comment on a broad range of issues as to what you would put in the act if you were writing the perfect Employment Opportunities for Disabled Americans Act.

And, second, to comment how the benefits of employment really accrued to two different groups of people which then includes all of us. We have seen one estimate, and we don't have precise estimates, but at least one estimate would tell us that something like 84 percent of disabled persons of working age are also unemployed—an extraordinarily and unnecessarily high level.

The second group of Americans who are benefited by additional employment opportunities and elimination of disincentives for employment are the taxpayers themselves, because the opportunities for savings to the Federal Government of the enormous cash benefits that are paid in lieu of employment, the opportunities are nothing short of astounding and enormous.

So I commend the witnesses and look forward to the witnesses' testimony. Thank you, Mr. Chairman.

Mr. WILLIAMS. Thank you.

We have already at the witness table Ms. Will, Ms. Owens and Mr. Frieden. Ms. Will, we will have you go first. Ms. Will, of course, is here representing the Department of Education and is

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the Assistant Secretary of Special Education and Rehabilitative Services. Madeleine, it's nice to see you here again. Please proceed.

STATEMENTS OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES, U.S. DEPARTMENT OF EDUCATION; PATRICIA M. OWENS, ASSOCIATE COMMISSIONER FOR DISABILITY, SOCIAL SECURITY ADMINISTRATION, ACCOMPANIED BY RHODA M.G. DAVIS, ASSOCIATE COMMISSIONER FOR SUPPLEMENTAL SECURITY INCOME, SOCIAL SECURITY ADMINISTRATION, HEALTH AND HUMAN SERVICES; AND LEX FRIEDEN, EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON THE HANDICAPPED

Ms. WILL. Good morning, Mr. Chairman.

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you today to present the views of the Department on H.R. 2030, the Employment Opportunities for Disabled Americans Act.

I defer to the Department of Health and Human Services concerning those parts of the bill which would have an impact on programs under its jurisdiction.

I do, however, wish to state that this Department recognizes that disabled workers entering or reentering the work force in many cases face a difficult and potentially risky period of transition as they shift from federally supported health care to employee health benefits. The perception that seeking and accepting employment may result in loss of health benefits if continuous long-term employment is not obtained or maintained is a concern of disabled persons.

I also want to point out to the committee that we believe that the potential loss of health benefits is only one of a number of disincentives which disabled persons face when they are considering entry or reentry into the work force. Other disincentives we can point to are loss of guaranteed income support when compared to small income gains resulting from employment; and the cost and availability of related services, such as transportation, necessary to maintaining employment. There are many others. For every disabled individual a number of these factors in combination and interaction with each other influence the decision to work. We therefore believe that any discussion of disincentives should look at a broad range of issues rather than focus on a single issue.

In this respect, we can point out that the Office of Special Education and Rehabilitative Services has begun a comprehensive review of disincentives to employment for disabled persons. Last year, we commissioned a series of 10 policy papers on the range of disincentives. This was followed by a conference in March of this year to discuss the papers. We are now distilling the 10 papers into 4 major policy issues. Our intent is to hold a major national conference early next year to build consensus around options for addressing the disincentive issues.

For this reason, we would ask the subcommittee to consider the additional work which will be undertaken in the near future by OSERS in addressing the critical question of disincentives to employment.

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Let me now discuss the specific provisions of H.R. 2030 which are related to OSERS responsibilities.

Titles II and III of the Employment Opportunities for Disabled Americans Act would amend the Rehabilitation Act, most of which is administered through my office.

Title II of H.R. 2030 would add a new part C to title VI of the Rehabilitation Act, establishing a new direct grant program in the Rehabilitation Services Administration. Authorizations for this Disabled Workers Demonstration Program would start at $5 million in fiscal year 1986 and rise gradually to $8 million in fiscal year 1992. The program would require the Secretary to establish three separate types of new activities.

The Secretary would be required to establish a program of 1-year planning grants to assist employers in planning the initiation or expansion of a comprehensive retention and reemployment program for disabled workers.

The Secretary would be required to establish a second program of grants of not more than 3 years duration to implement or substantially expand comprehensive retention or reemployment programs.

Finally, the Secretary would be required to establish a program of one-time, 1-year grants to assist employers in evaluating the effectiveness of any retention and reemployment program for disabled workers.

Employers have become much more sensitive to the high costs of employee benefits and to the long range implications of all aspects of the human resources decisions which they make. The costs of health benefits, workers compensation, and disability insurance have escalated dramatically. Employers are moving to set up disability rehabilitation programs of their own, based not upon the availability of direct Federal funding but upon sound business principles. We believe that the effect of the Federal grant programs in H.R. 2030 would be small in comparison to these market forces.

Without any direct Federal intervention, employers also are recognizing the benefits of employing retrained workers. These benefits are economic, in that reemployed workers are not drawing long-term benefits and are performing useful work. In many cases, retrained workers have a breadth of experience which increases productivity. The benefits are noneconomic as well: increased morale arising from the exercise of corporate responsibility on behalf of persons suffering from adversity.

In our opinion, efforts of this type, coupled with the existing authorities of the Rehabilitation State Grant Program and Projects With Industry Program hold great promise in addressing the problems of worker rehabilitation.

Title III of H.R. 2030 would add a new part D to title IV of the Rehabilitation Act, the "Employment Opportunities Demonstration Program for Supplemental Security Income and Social Security Disability Insurance Recipients."

In summary, the program concepts in this proposed part D do not differ markedly from several existing authorities through which substantial funds have already been committed. The demonstration authority under the existing section 204 of the Rehabilitation Act is sufficiently broad that activities described in the pro-

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posed part D could be supported. The Social Security Administration has funded demonstrations of transitional employment training for SSI recipients to take place between April 1985 and April 1987.

Finally, we expect that the supported work initiative under title III of the Rehabilitation Act will provide valuable services and yield valuable data concerning severely disabled SSI recipients. We have just funded over $4 million of these projects in 10 States; our present view is that the supported work model will be a very effective means of serving the SSI population.

I hope that the subcommittee will consider the comments I have made on H.R. 2030 in a positive way. Areas of the bill overlap or duplicate existing authorities of the Rehabilitation Act. We support the concepts which we believe that titles II and III of H.R. 2030 are designed to embody: increased opportunities for gainful employment for disabled persons; the investigation and demonstration of rehabilitation programs likely to produce savings; and increased involvement by the private sector employers who provide the great majority of potential jobs. However, we do not believe that additional legislative authority or spending is necessary to address these goals. For that reason, the administration does not support enactment of titles II and III of H.R. 2030.

I would be pleased to answer any questions or to expand on the subjects I have covered in my testimony.

Mr. WILLIAMS. Thank you, Ms. Will.

[Prepared statement of Madeleine C. Will follows:]

PREPARED STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES, U.S. DEPARTMENT OF EDUCATION

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you today to present the views of the Department on H.R. 2030, the "Employment Opportunities for Disabled Americans Act."

I defer to the Department of Health and Human Services concerning those parts of the bill which would have an impact on programs under its jurisdiction.

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I also want to point out to the Committee that we believe that the potential loss of health benefits is only one of a number of disincentives which disabled persons face when they are considering entry or reentry into the workforce. Other disincentives we can point to are loss of guaranteed income support when compared to small income gains resulting from employment; the cost and availability of related services, such as transportation, necessary to maintaining employment. There are many others. For every disabled individual a number of these factors in combination and interaction with each other influence the decision to work. We therefore believe that any discussion of disincentives should look at a broad range of issues rather than focus on a single issue.

In this respect, we can point out that the Office of Special Education and Rehabilitative Services has begun a comprehensive review of disincentives to employment for disabled persons. Last year, we commissioned a series of 10 policy papers on the range of disincentives. This was followed by a conference in March of this year to discuss the papers. We are now distilling the 10 papers into four major policy issues. Our intent is to hold a major national conference early next year to build consensus around options for addressing the disincentive issues.

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Without any direct Federal intervention, employers also are recognizing the benefits of employing retrained workers. These benefits are economic, in that reemployed workers are not drawing long-term benefits and are performing useful work. In many cases retrained workers have a breadth of experience which increases productivity. The benefits are non-economic as well: increased morale arising from the exercise of corporate responsibility on behalf of persons suffering from adversity.

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Finally, we expect that the supported work initiative under title III of the Rehabilitation Act will provide valuable services and yield valuable data concerning severely disabled SSI recipients. We have just funded over $4,000,000 of these projects in ten States; our present view is that the supported work model will be a very effective means of serving the SSI population.

I hope that the subcommittee will consider the comments I have made on H.R. 2030 in a positive way. Areas of the bill overlap or duplicate existing authorities of the Rehabilitation Act. We support the concepts which we believe that titles II and III of H.R. 2030 are designed to embody: increased opportunities for gainful employment for disabled persons; the investgation and demonstration of rehabilitation programs likely to produce savings; and increased involvement by the private sector employers who provide the great majority of potential jobs.

As shown above, however, we do not believe that additional legislative authority or spending is necessary to address these goals. For that reason, the administration does not support enactment of titles II and III of H.R. 2030.

I would be pleased to answer any questions or to expand on the subjects I have covered in my testimony.

Mr. WILLIAMS. We also have Pat Owens here representing the Department of Health and Human Services. She is the Associate

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Commissioner for Disability in the Social Security Administation. Ms. Owens.

Ms. OWENS. Mr. Chairman and members of the subcommittee, I am pleased to be here today to participate in this hearing. I am accompanied by Rhoda Davis who is the Associate Commissioner for Supplemental Security Income Programs. She has the basic responsibility for the 1619 Program and can be responsive to questions that you have in that area.

We are aware of your concern that some disabled SSI recipients do not work, not solely because their impairments may limit their work, but because they stand to lose Medicaid coverage. We believe that disabled SSI recipients and Social Security disability recipients should be encouraged to work whenever it is possible for them to do so.

My written statement, which I ask be made part of the record, describes in some detail the Department's efforts to implement 1619 and also discusses the study that we are doing of 1619 to report back to the Congress.

It also discusses other work incentive provisions of the law and describes some of the Department's recent initiatives toward identifying effective work incentives and, I guess, conversely, work disincentives.

I would like to focus my remarks today on some of the activities that we are undertaking in addition to 1619 because I think those are important.

We have been concerned for some time that we need to have more activities in the area of getting people back to work. We have just recently engaged, along with the Department of Education, in an educational program on current work incentives. There are quite a few current work incentives within the Social Security Program and the SSI Program, including 1619.

The issue and accusation has been that there is not an awareness of what those current incentives are. So in order to try to correct that, and at the urging of Congress, we have been engaged in a very extensive education program, both for our employees, employees of vocational rehabilitation agencies, and also other people concerned about the disabled and working with the disabled community. So we do think there is a greater awareness now of the various incentives that do exist.

We also have developed what we call a three-part program of demonstrations, whereby we will look at various issues that are involved in why the Social Security disabled, those entitled to SSI and SSDI, do not go back to work.

We are looking at various things such as work incentives, employer incentives, tools for assessing rehabilitation potential, employer involvement in rehabilitation planning and placement, which we think are important; and the use of all available rehabilitation resources, including nonprofit and for-profit providers.

It's a three-part plan, as I indicated, and under the first part of our plan we have developed individually negotiated tailor-made projects with employers to demonstrate improved techniques of vocational rehabilitation and job placement for Social Security disability insurance beneficiaries. For example, we have a project with the Electronic Industries Foundation—I understand you will

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have someone testifying later from the foundation. We are very excited about that project. They have agreed to take certain of our beneficiaries and place them within the electronics industry.

There is considerable evidence that the key to successful vocational rehabilitation is the active involvement of employers and, of course, projects with industry keys on that. Employers provide the jobs, they decide the credentials necessary to fill the jobs, and their attitudes or interest in our beneficiaries can influence the outcome of rehabilitation and placement. For that reason, we think it is very important for the Social Security Administration to work more actively with the employment community, the employers.

The second part of the program involves the testing of additional work incentives and rehabilitation methods. This part of our plan explores using all kinds of rehabilitation resources—both public and private—in combination with certain increased work incentives to demonstrate the effectiveness of multiple sources of referral and broadened work incentives on the disabled populations return to work. For example, the use of case managers to assist the SSDI population in being sure that these people are being referred to the proper agencies including State VR.

The Social Security Act permits the use of non-VR resources only when a State is unwilling to participate or does not have a plan to work with the Social Security beneficiaries. Formerly, there were very few private agencies involved in rehabilitation but that's now changed. Insurance companies have found that certain private providers, including nonprofit providers like Goodwill, can make a big impact here.

Our purpose in the second part of the plan is to look into those other alternative vocatioinal rehabilitation sources.

The third part of the plan is to strengthen our current very important relationship with the State vocational rehabilitation community that we currently use. We now have a process whereby people, when their disability entitlement is determined by the State agencies who make those medical decisions, are referred to State rehabilitation agencies who then get them into some kind of service.

We think we need to work harder on that particular relationship and are providing some grant opportunities and some demonstration opportunities with the State agencies to work on that more.

Our progress to date in this three-part plan we think is quite credible. Under parts I and III of the plan, we have awarded 28 grants to employer organizations, State VR agencies, and universities. I might add that there also is a grant project with a labor union that we are working with because we believe that unions are very key to the employment of the disabled.

In addition, SSA has awarded grants totaling $3.4 million to eight nonprofit organizations around the country to test transitional employment as a way of helping the mentally retarded. Madeleine Will, Assistant Secretary for Special Education and Rehabilitation Services, Department of Education, had mentioned that. Transitional employment includes training, both in specific job skills and in social skills necessary to keep a job. The training is in a nonsheltered environment with nondisabled coworkers.

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However, all of this three-part plan was developed under section 505 of the Social Security Disability Amendments of 1980, which expired June 9, 1985. Unfortunately, the implementation of part II of the plan, the one that involves working with additional incentives and disincentives, actually requires extension of that section.

As you know, legislation extending the demonstration and waiver authority for 5 years was passed by the House on May 14 1985, and is now pending in the budget reconciliation bill in the Senate. The administration supports permanent authorization of this demonstration authority.

You asked about the SGA issues. Interspersed within all of these demonstrations is the recognition that SGA amounts do have an impact on the ability to get back to work. In fact it is being considered in many of the demonstrations that we have out. What would be the effect of raising the amount of SGA.

In addition to these demonstration projects and more closely aligned to the main purpose behind 1619, we have begun focusing our attention on the medical coverage issue and, of course, Ms. Will has had a big interest in that and we have been working closely with the Department of Education.

The health insurance coverage is an issue not just for the SSI recipients but for all beneficiaries in the Social Security Program. We want to proceed in the development of some demonstration projects in that area that would test various approaches to providing medical benefits such as insurance pools, extensions of employer health benefit plans, and insurance vouchering.

However, we really need more time to construct these projects to carefully analyze and to be sure that they are providing the kind of information we can all use in dealing with these issues.

In summary, we believe that our study, and this is a very systematic study, along with other ongoing, planned and future demonstrations will provide some of the direction we all need toward the solutions not only of problems faced by the working disabled, but also of the general problems of work disincentives in the area of health care coverage. Until we have more facts and better information on how best to encourage the disabled to go back to work we won't really be able to analyze that and since 1619, which is already authorized through 1987, we strongly recommend that no legislative changes be made in either 1619 and other areas at this time, but rather, that we all wait and see the results of these various demonstrations that we have in place.

Thank you very much. I will be glad to respond to any questions.

Mr. WILLIAMS. Thank you.

[Prepared statement of Patricia M. Owens follows:]

PREPARED STATEMENT OF PATRICIA M. OWENS, ASSOCIATE COMMISSIONER FOR DISABILITY, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman and members of the subcommittee, I am pleased to be here today to participate in these hearings on H.R. 2030, the "Employment Opportunities for Disabled Americans Act," provisions of which would modify and continue section 1619 of the Social Security Act.

We are aware of your concern that some disabled SSI recipients do not work, not solely because their impairments may limit ability to work, but because they stand to lose Medicaid coverage. We think that disabled SSI recipients should be encour-

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aged to work whenever it is possible for them to do so. This morning I will describe our efforts to implement the provisions of section 1619, discuss some of the other work incentive provisions in the law, and share with you some of the Department's initiatives in the area of work incentives.

BACKGROUND

A primary purpose of section 1619 is to test whether a potential work disincentive can be removed by continuing Medicaid eligibility for blind and disabled individuals who would otherwise lose that coverage because they work despite their impairments. First, section 1619 provides special SSI eligibility by authorizing cash benefits for certain disabled recipients who, because of their work and earnings, would otherwise be ineligible. This special status confers Medicaid eligibility in States whose medical assistance plans use SSI eligibility criteria. The benefit is paid to the disabled individual whose work represents SGA but whose earnings would not be high enough to preclude a regular SSI benefit. Second, section 1619 provides special Medicaid eligibility in those same States for certain persons whose incomes, including earnings, are high enough to preclude SSI eligibility but who could receive SSI benefits in the absence of those earnings.

Section 1619 was originally enacted on a 3-year demonstration basis in 1980, as part of the Social Security disability amendments of that year. Although both the House and the Senate passed provisions to extend section 1619, Congress did not approve an extension, allowing the original provision to expire on December 31, 1983. The administration continued the effects of the provision after its expiration under existing general demonstration authority until the Congress could act. In October 1984, Congress extended the provision, again on a temporary demonstration basis, through June 1987 to allow further study. Although SSA has been able to provide some data on the numbers of people benefiting under the provisions of section 1619, the preliminary information generally has been inconclusive as to the effectiveness of the provision as a work incentive.

In its committee report on the 1984 disability amendments, which extended section 1619, the House Ways and Means Committee provided detailed specifications about the kinds of information it wanted SSA, together with the Health Care Financing Administration and State agencies administering the Medicaid program, to collect and analyze. The provision also sought to increase section 1619's effectiveness by requiring training of staffs in SSA field offices and State vocational rehabilitation agencies and by improving outreach to groups concerned about vocational rehabilitation.

TRAINING AND OUTREACH

To meet the training and outreach requirements, SSA developed a training package, including a videotape, on section 1619 and all other work incentives in both the Social Security and SSI programs. Training on section 1619 was mandatory in all SSA field offices. SSA provided the work incentives videotape to all State directors of vocational rehabilitation agencies. Together with the Department of Education's Rehabilitation Services Administration and the Council of State Administrators of Vocational Rehabilitation, SSA developed a training and chart booklet for use by vocational rehabilitation counselors that fully described the section 1619 provisions. SSA also worked with the Administration on Developmental Disabilities to provide information to the State Developmental Disability Councils and affiliated groups.

SSA has worked directly with national organizations to provide information and assistance on section 1619 and work incentives. Many of these organizations have provided information and training material to their affiliates. Also, SSA has developed two new pamphlets and a poster that cover section 1619, and information about the provision has been or will be included in our public information materials, such as radio announcements and publications.

SSA will also be including information on section 1619 with all of the SSI and State supplementation checks mailed in November. This material will inform recipients that earnings may not affect their SSI and Medicaid eligibility and will encourage them to contact SSA for more information.

CONGRESSIONALLY MANDATED STUDY

The congressionally required study of the effectiveness of section 1619 as a work incentive is currently underway and will be submitted to Congress by mid-1986. The Department is using SSI administrative records to identify characteristics of people benefiting from section 1619—such as age, sex, race, State of residence, amounts of

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wages and unearned income, type of impairment, and use of other work incentive provisions. We will follow these recipients' work, and eligibility histories over the period of a year. We are also conducting a special survey of 3,400 SSI recipients to learn whether the special cash benefits and extended Medicaid coverage available under section 1619 do, in fact, motivate blind and disabled individuals to work in spite of their impairments. The survey should also reveal the extent to which section 1619 participants might have health care coverage under their employers' plans, Also, some of the people being surveyed do not participate in section 1619. The information they provide will help us understand why they do not.

SSA has identified the individuals participating under section 1619 and made demographic information available to the Health Care Financing Administation.

HCFA will supply SSA with Medicaid service utilization and expenditure information for more than 1,000 persons eligible under section 1619. This information is being taken from an ongoing Medicaid research effort, known as the Medicaid Tape-to-Tape project. This project has developed the capability to access person-level data for several years in five States—New York, California, Michigan, Georgia, and Tennessee—which represent 30 percent of the total 1619 population. The Data collected will include information such as the number of inpatient hospital days and outpatient units utilized; types of services provided; and eligibility information on the recipients. For States that are participating in the Tape-to-Tape project, with the possible exception of Michigan, SSA data are being matched with Tape-to-Tape data to provide Medicaid statistics for the 1619 populations. For a number of States that are not participating in Tape-to-Tape, HCFA has been soliciting information on enrollment, utilization, and expenditures for section 1619 enrollees through telephone contacts, preformatted data requests, and communcations with Medicaid employees.

HCFA's data should provide information on the kinds and costs of health services used by these disabled workers. In combinations with data and analysis supplied by SSA on work history, income, and impairments of this population, the Department's report will present a comprehensive profile of these individuals that should assist in the consideration of program changes affecting the continued employability of this population of severely disabled workers. In addition, the Medicaid data will be maintained by HCFA for use in forecasts as needed relating to medical care provided to this population.

PRELIMINARY FINDINGS

A brief review of the demographics of the SSI disabled and blind population may provide information on the current participation rates. Out most current and complete information on section 1619 participation, from August 1984, indicates 406 individuals whose Medicaid coverage is protected through the special cash benefits provision of section 1619. For another 6,804 individuals, Medicaid eligibility is retained although no cash benefit is payable. The average earnings of recipients of the special cash benefit are $464 per month, allowing an average Federal monthly payment of $127. The average earnings of section 1619 participants retaining only Medicaid are $666 per month. Of this group 55 percent also have unearned income. In both of these groups, about 79 percent of the participants are under 40 years of age, while only about 31 percent of the total SSI blind and disabled population is under age 40, and only 18 percent of it is under age 30. And, again of disabled SSI recipients, 47 percent have mental impairments. In this category, almost half are diagnosed as mentally retarded. All the available data indicate that factors such as lack of job skills, age, and the severity and nature of impairmant may present impediments to work that need different work incentives than section 1619 offers.

OTHER WORK INCENTIVE PROVISIONS IN THE LAW

As important as this study is to our evaluation of section 1619, it is not our only areas of interest in the problems faced by disabled persons. Few things could be more counterproductive than to have various benefits programs interacting in ways that discourage disabled people who might otherwise work and become self-sufficient. As you may know, the 1980 disability amendments which first created the 1619 program also provided for numerous other work incentives—or modifications in "disincentives"—as well as for further research and demonstration projects. It may be useful to take a moment to review this broader picture.

First, in one sense, the very existence of a Federal benefit program may be viewed as creating a work disincentive since those who qualify will receive Federal aid while others will not. In the disability area, the problem is further complicated by the fact that the major national programs—Social Security and SSI—are both based on a strict concept of disability as an inability to engage in substantial gainful activ-

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ity by reason of a physical or mental impairment that is expected to last at least 12 months or to end in death. There is no recognition of partial disability, nor is the definition in the law a strictly medical one. Rather, we are looking at a person's ability or inability to work, as a result of his or her physical or mental condition.

Given this all-or-nothing, "disabled" or "not disabled" approach in these basic programs, the effort to avoid or mitigate work disincentives focused traditionally on an effort to refer applicants and recipients to appropriate rehabilitation agencies, to help finance rehabilitation, and to allow for a 9-month trial work period during which a person could test his or her ability to work despite the impairment and not face loss of benefit status during that period or loss of eligibility should the effort prove unsuccessful.

In the 1980 amendments additional incentives were introduced into the Social Security and SSI programs:

In addition to the 9-month trial work period, a 15-month reentitlement period was created. During this period of 15 consecutive months, a person's Social Security or regular SSI checks can be affected if he had substantial earnings, but he has the added security of knowing that, should the work effort fail, he can return to regular benefit status without having to go through the elaborate process of filing a new initial application.

In addition, for disabled Social Security beneficiaries, provision was made to continue Medicare protection for an additional 24 months after eligibility for cash benefits ends and to eliminate the waiting period for Medicare eligibility should the person again become eligible for cash Social Security benefits within 5 years.

Also, in determining whether a person is engaging in substantial gainful activity, earnings necessary to meet impairment-related work expenses may be disregarded. (These expenses are also disregarded, in the SSI program, for purposes of determining the amount of the monthly benefit.)

In the same legislation, the 1619 program was created which, in effect, supersedes the trial work provision by providing for continued Medicaid coverage for people who, if they did not work (or they worked less), would be eligible for SSI.

Even though these work incentives are in place, we are still concerned about assuring that persons who can return to gainful employment are encouraged to do so. We have been actively exploring the whole question of incentives—including those related to health care coverage—using both preexisting statutory authorities and the special authority for experiments and demonstrations contained in the 1980 disability legislation.

INITIATIVES IN RELATED AREAS

At the inception of the Social Security disability insurance program, Congress mandated that SSA refer all disability applicants to State vocational rehabilitation agencies for any needed services. In 1965, Congress authorized the Secretary of HHS to provide grants to State vocational rehabilitation agencies to provide services to SSDI beneficiaries. In 1972, similar legislation was enacted for SSI disabled and blind recipients. However in 1981, Congress passed legislation requiring that SSA reimburse State vocational rehabilitation agencies only for costs of services provided to SSDI beneficiaries or SSI recipients who perform substantial gainful employment for a period of 9 months. Our referral process has remained virtually unchanged since the beginning of the SSDI program.

Currently we are investigating two major areas of concern which are of interest not only to Congress but to us as well. These are: (a) the need for additional work incentives to encourage beneficiaries who have employment potential to return to work; and (b) the need for new systematic approaches for providing vocational rehabilitation services which will be more effective and efficient in placing SSDI beneficiaries and SSI recipients into employment.

In order to learn more about the need for new work incentives and new approaches for vocational rehabilitation, SSA has developed a three-part vocational rehabilitation demonstration plan that addresses work incentives; employer incentives; tools for assessing rehabilitation potential; employer involvement in rehabilitation planning and placement; and use of all available rehabilitation resources—including nonprofit and for-profit providers—in a competitive way.

Under part I of our plan, we have developed individually negotiated, tailor-made projects with employers to demonstrate improved techniques of vocational rehabilitation and job placement for Social Security disability insurance beneficiaries: for example, the SSDI Beneficiary Job Placement Program of the Electronics Industry Foundation.

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There is considerable evidence that the key to having a successful vocational rehabilitation program is the active involvement of employers because: they provide jobs; they decide on the credentials needed to fill the jobs; their attitude toward or interest in our beneficiaries can influence the outcome of rehabilitation and placement; their willingness to accommodate the disabled—for example, by modifying job requirements—can determine who is employable; and they can provide an ideal laboratory for testing new placement strategies and work incentives.

Part II of our plan explores using all available rehabilitation resources—both public and private—in combination with increased work incentives to demonstrate the effectiveness of multiple sources of referral and broadened work incentives on a disabled beneficiary's return to employment; for example, the use of case managers to assist SSDI beneficiaries in securing the most appropriate and effective rehabilitation services and work incentives. The Social Security Act permits use of non-State VR resources only when a State is unwilling to participate or does not have a plan which meets statutory requirement. Formerly, there were few private agencies involved in rehabilitation, but that has now changed. Insurance companies have found that private VR providers—including nonprofit providers like Goodwill Industries; large, for-profit organizations like Intra Corp; private insurance firms; and smaller, for-profit firms—are effective and efficient and that using both private and State VR agencies can be both effective and efficient in encouraging the return to employment. We need to investigate how we can best use the rapidly growing, private sector VR system.

Under Part III of our plan, we are working with State VR agencies to develop rehabilitation strategies and systems that are more job-placement oriented; for example, the development of new disability determination service vocational rehabilitation screening criteria and rapid referral for vocational rehabilitation. Under this part, we help participating States develop systems for evaluating vocational aptitute, matching clients with jobs, tracking reemployed beneficiaries, and improving communications between State disability determination services and rehabilitation agencies.

Under part I and III of this plan, we have awarded 28 grants to employer organizations, State VR agencies, and universities. In addition, SSA has awarded grants totaling $3.4 million to eight nonprofit organizations around the country to test whether transitional employment training is a cost-effective means of helping mentally retarded SSI recipients get and keep nonsubsidized, private-sector jobs. Transitional employment includes training both in specific job skills and in the social skills necessary to keep a job. The training is in a nonsheltered environment with nondisabled coworkers.

However, our three-part vocational rehabilitation demonstration plan was developed under section 505 of the Social Security Disability Amendments of 1980 which expired June 9, 1985. That section required the Department of Health and Human Services to carry out experiments and demonstration projects designed to encourage disability beneficiaries to work. It authorized waiver of Social Security and Medicare entitlement requirements in conducting the projects. It also authorized waiver of requirements under the SSI program to carry out demonstrations that would promote the objectives or facilitate administration of the SSI program.

Unfortunately, implementation of part II of the plan depends on authorities that expired with that section.

Legislation extending the demonstration and waiver authority for 5 years was passed by the House on May 14, 1985 and is now pending in the budget reconciliation bill in the Senate. The administration supports permanent authorization of a demonstration authority.

We are also involved in special projects that complement our three-part plan. For example, the Washington Business Group on Health (an association of major U.S. corporations interested in health and disability issues) is assisting us in working with the business community to improve knowledge of work incentives; develop demonstration projects involving rehabilitation and employment of beneficiaries; and review and examine effective vocational rehabilitation models used by the business community. A conference with major corporations was held in September 1985 to initiate a dialogue on these issues. We are also conducting a Focus Group Interview Study under which we will conduct a series of interviews over the next 6 months with small groups of Social Security disability insurance beneficiaries, former beneficiaries, claimants for benefits and rehabilitation providers. The purpose of these interviews is to develop information on understanding and use of current work incentives, barriers to their use, and possible improvement that would improve their effectiveness.

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In addition to these demonstration projects, and more closely aligned to the main purpose behind seciton 1619, we have begun focusing our attention on the medical coverage issue, not just for disabled or blind SSI recipients, but for all beneficiaries in the Social Security disability program. We are exploring the development of demonstration projects that would test various approaches to medical benefits coverage such as State insurance pools, extensions of employer health benefit plans or insurance vouchers.

There is one other initiative that I would like to mention. In order to ensure that the disabled benefit from recent technological advancements, Secretary Heckler has spearheaded a National Initiative on Technology and the Disabled. In conjunction with the Department of Defense and the National Aeronautics and Space Administration, the Department is working to organize partnerships with the private sector which will channel time, money, and creative energy toward projects which improve the quality of life of the disabled.

One planned program is called "Tech-net," which would be a national communication network that disabled citizens, physicians and organizations could use to obtain information about available technological services. Another planned program is called "Tech-team," which would be a network of local groups of technological professionals applying their skills and knowledge to the problems encountered by the disabled in daily living.

A number of technological innovations are already extending and improving the lives of millions of Americans. Such innovations include the artificial heart, the robotic or "Utah" arm, the programmable pacemaker, and the composite material wheelchair. Other promising developments include programmable implanted medication systems, human tissue stimulators, and the artificial ear. Other less dramatic products could also make it easier for the disabled to function in the working world. It is the Department's hope that the Secretary's initiative will stimulate dialogue between the disabled community and the engineers who can mitigate or eliminate problems currently confronting disabled persons who can become active, contributing members of their communities.

SUMMARY AND CONCLUSION

We are confident that our study and other ongoing, planned, and future demonstrations will provide direction toward the solutions not only of problems faced by the working disabled but also of other work disincentives in the area of health care coverage. Until we have more facts and a better understanding of how best to encourage the disabled to work and since section 1619 is already authorized through June 1987, we strongly recommend that no legislative changes be made in section 1619 at this time.

We are anxious to continue working with you to promote the work efforts of the disabled and blind.

Again, I am glad to have had this opportunity to appear before your subcommittee and would be happy to answer any questions.

Mr. WILLIAMS. Lex Frieden is the executive director of the National Council on the Handicapped. It's good to have you with us today and we look forward to your testimony.

Mr. FRIEDEN. Thank you very much.

Mr. Chairman and members of the subcommittee, I am pleased to have this opportunity to testify before you today.

As you know, the National Council on the Handicapped is an independent Federal agency composed of 15 members who were appointed by the President and confirmed by the Senate.

Among other responsibilities, the Council is charged by statute with advising the Congress on issues related to policies and programs affecting people with disabilities.

On behalf of Chairperson Sandra Parrino and the members of the National Council on the Handicapped, I would like to commend Congressman Bartlett and his staff and this committee for all your efforts to eliminate disincentives to the employment of people who are disabled.

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At this point, if I may, I should like to summarize my remarks and ask to have my completed printed testimony included in the record.

Mr. WILLIAMS. Without objection.

Mr. FRIEDEN. Most of us share the goal of being independent, productive, contributing citizens, involved in our own communities and contributing to the betterment of our families, our homes, and our Nation. For those of us who are disabled, just as it is for those who are not, employment is very often the principal means by which we expect to achieve this goal. However, for disabled people there are many barriers to gaining employment and thus to reaching our goals of comparative self-sufficiency and productivity.

Among these barriers are barriers to employment that exist within the Social Security system and throughout our system of assistance to people with disabilities. For those people who have been unable to work because of a disability and who have become eligible for either income or medical benefits, or both, the challenges involved in preparing for and getting a job, and the risks associated with potential of failing to keep that job, are very often overwhelming.

For many of us who are disabled, the fear of losing our medical insurance is more than enough cause for hesitation when we consider returning to work. Furthermore, when one considers the comparatively low wages often associated with entry level or part-time level jobs, the difficulties involved in weighing the pros and cons of taking an opportunity to be employed become apparent.

H.R. 2030 addresses some of the disincentives to work that disabled people face by making section 1619 of the Social Security Act permanent. Since its enactment, 1619 has proved to be a promising effort to eliminate disincentives in the Social Security Act for those people receiving SSI benefits.

H.R. 2030 also would create two demonstration programs designed to involve vocational rehabilitation agencies and projects with industry in more aggressive efforts to assist Social Security recipients in their efforts to be employed.

Ms. Will and Ms. Owens have described efforts by the Department of Health and Human Services and the Department of Education in trying to address many of these issues.

The National Council on the Handicapped appreciates the committee's recognition of the importance of these issues. While the Council as a matter of policy does not support specific pieces of legislation and, therefore, has no position on this bill, the Council recognizes the seriousness of these matters and will address them by making specific and substantive recommendations in our special 1986 report to the President and Congress.

As you know, Mr. Chairman, the Congress has mandated that the Council will produce for submission on February 1 of 1986 a report involving the disincentives to work and to independence for people with disabilities. The Council has been engaged during the past year in serious study of many of these issues and will offer significant advice at that time.

If there are any questions I would be pleased to answer them.

[Prepared statement of Lex Frieden follows:]

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PREPARED STATEMENT OF LEX FRIEDEN, EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON THE HANDICAPPED

Mr. Chairman and members of the subcommittee, I am pleased to have this opportunity to testify before you today. As you know, the National Council on the Handicapped is an independent Federal agency composed of 15 members appointed by the President and confirmed by the United States Senate. Among other responsibilities, the Council is charged by statute with advising the Congress on issues related to policies and programs affecting people with disabilities. On behalf of Chairperson Sandra Parrino and the Members of the National Council on the Handicapped, I would like to commend Congressman Bartlett and his staff and this committee for their efforts to eliminate disincentives to the employment of people who are disabled.

Living independent, productive lives is a goal many of us share. Yet for millions of Americans with disabilities this goal has been little more than a dream. Advancements over the past 15 to 20 years have begun to make this dream a reality for more and more people with disabilities. Investments in education, rehabilitation and increasing job opportunities, the growth of the independent living movement, and the passage of many important pieces of legislation have significantly altered the once bleak picture for disabled Americans.

Today opportunities for full and equal participation in all aspects of society are increasing. Still, architectural, attitudinal and institutional barriers continue to limit the potential of many disabled people. The unwanted and unnecessary dependency which results from these barriers costs our nation billions of dollars each year.

The National Council on the Handicapped recognizes the seriousness of the problem of barriers to the employment potential of disabled people, and will address this issue in depth in our 1986 Special Report to Congress and President.

Title I of HR 2030 would permanently authorize Section 1619 of the Social Security Act as amended in 1980. Section 1619 represents an effort to address potential disincentives within the Social Security Act that prevent disabled people from seeking or maintaining employment. It allows disabled SSI recipients to retain Supplemental Security Income and their medical benefits under Medicaid when they begin earning up to two times the current SGA (Substantial Gainful Activity) level. SGA is currently about $300. Section 1619 allows eligibility to be extended to recipients beyond the point of SGA if they continue to meet certain conditions.

Title II of HR 2030 would amend Title VIB of the Rehabilitation Act, dealing with Projects with Industry, to involve employers in the employment and re-employment of disabled persons. Title III of HR 2030 would authorize states, through vocational rehabilitation agencies, to work with other agencies in improving employment opportunities for disabled persons.

The expense of attendant care, medical care, and other social services that many severely disabled people critically need on an ongoing basis in order to simply survive are not easily offset by earnings or benefits offered by many job positions. Entry level, part time, seasonal, or sporadic employment, typify circumstances in which many disabled people begin working. These are examples of the situations in which low wage and few health benefits exist. Private insurance benefits offered through many jobs have waiting periods or exclusions for pre-existing conditions making it difficult or impossible for disabled people to get adequate health coverage through their place of employment.

It takes time to build a world history, to gain the experience and skills which allow and individual to move into positions which pay high enough salaries to make it possible to give up the benefits associated with receiving SSI. For some persons with the most severe disabilities, the expectation that they can become productive, taxpaying citizens may never be a reality.

Severely disabled people with permanent, ongoing and life-long disabilities frequently require ongoing attendant and medical care. Section 1619 contributes to the success of the new supported work programs for developmentally and otherwise severely disabled persons for whom loss of benefits could be devastating.

We have made great investments in the education and rehabilitation of severely disabled people. However, Federal, state and local support of these programs yield little more than a hollow promise if the end goal of employment remains out of reach. Cost savings have already and will continue to be realized by increasing the financial independence of many people with disabilities. We believe Section 1619 is promising in both social and economic terms.

Employment is an essential key to successful adult integration into community life. Various forms of work are frequently associated with greater independence, productivity, self-esteem, and social and financial status. In our society, success and

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quality of life are often measured in terms of paid employment. While paid employment may not be a reasonable expection for all disabled people, work remains an important component of each individual's right and obligation to live as independently and responsibly as possible in the community.

The Council as a matter of policy does not support specific pieces of legislation. Therefore, we do not take a position on HR 2030. We are pleased to have had this opportunity to express our views and we look forward to working together with you in the future to insure opportunities for disabled people to be productive, contributing, involved citizens.

Mr. WILLIAMS. Thank you very much. We appreciate the testimony of each of you. Your testimony was complete and has answered my questions.

Ms. Will, on page 2 of your testimony, you make reference to a comprehensive review of disincentives to employment for disabled persons and the fact that you had commissioned a series of 10 papers. Are those available?

Ms. WILL. They are almost in final form. We are going to have four final papers. We compressed the 10 into 4, and they will be available for distribution. We will be holding a conference early next year and I would like to take this time to issue an invitation to you and the members of committee to participate in the conference. We expect to have representation from across the field and from across Federal agencies. We would also like to have representation from Congress.

Mr. WILLIAMS. Thank you. We appreciate that. Let me request that you share the four papers with us.

Ms. WILL. Yes. The four areas are work disincentives, barriers to community-based integration and independent living, and the third is job development—problems related to job development, and acquisition. The last is systems—a kind of overview where you have to take a systems approach to make any changes.

Mr. WILLIAMS. Mr. Bartlett.

Mr. BARTLETT. Thank you, Mr. Chairman.

Let me begin with some questions that I think would be for all three of you and then go into some specific questions. Let me begin with Lex Frieden. You all three presented excellent testimony and I want to go into some details.

It seems to me that there all three of the witnesses discussed a whole range of issues and, in particular, Secretary Will talked about the range of issues for the Federal programs and for disincentives. Let me try to narrow that down a little bit. It seems to me from what you have said and from what we have all heard from a number before that most Federal programs fall into two categories of employment opportunities for disabled persons. One is to help disabled persons get ready for work, education of the handicapped through education, vocational rehabilitation, and others. The other is to support those persons while they are not working.

I think what we are looking for in this legislation and, Lex, I think in your study and your testimony today, is how can we transfer from those two issues into the third and what seems to me the critical issue. That is, how to remove those barriers to work, once we give people a chance to get ready for work, and then when they want to accept that employment.

I understand that there are a range of issues, and we want to take a holistic approach, and I want to explore with each of you

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those other issues—but, anecdotally, when oftentimes you ask disabled persons what is the number one of the primary barrier to actually accepting that job, I have never heard any other answer other than availability of health benefits.

Are there other answers? How would you categorize the barrier of inability to obtain health benefits while employed? How would you categorize that in the range of issues? Is it the most important priority, the second, the third, or is it somewhere down in the pack? Is it the primary barrier or something else?

Mr. FRIEDEN. I would say from my own personal perspective that the fear of losing medical benefits associated with other benefits that one may become eligible for is one of the principal fears and the principal anxieties that prevent people with disabilities from seriously seeking employment very often. That must be one of the principal barriers and disincentives to seeking employment.

I must say that it is also one of the principal anxieties of those of us who are working when we stop to consider that some day we may not be able to work any longer as a result of our disabilities.

Mr. BARTLETT. Secretary Will.

Ms. WILL. I would make one point, Mr. Bartlett. Ninety percent of Federal funds are expended for disabled people in the form of income transfer payments and some kind of health care coverage. I wish it were true that the pot of money was divided into funds to support vocational training in employment and the other you mentioned. We don't have enough impact yet in the area of vocational training in employment.

I would agree that for many disabled individuals the loss of medical benefits is the primary concern. But I want to refer back to the point I made in my testimony about the complexity of this issue. People often state to a rehabilitation counselor their fear that going back to work will mean the loss of medical benefits and, therefore, they are very reluctant to think about employment. Yet, when you pursue this discussion with the individual you find that, in fact, there are a host of interrelated disincentives. One of the problems we have is not being able to identify in terms of a particular client which of the disincentives are key, which are real, as opposed to attitudinal. Let me be more specific.

In terms of health coverage, is it no coverage? Is it inadequate health coverage? Certain physician services which won't be covered? Related services, physical therapy, occupational therapy not being covered.

Sometimes clients—again, using this one disincentive: A fear of health care coverage—really mean they will lose a benefit such as food stamps, rent supplements, or the ability to get certain kinds of equipment that they use repaired. So it's very difficult to know in terms of the individual what it is that keeps them from seeking a job.

Certainly we have talked to enough disabled clients and we know that the fear of losing medical benefits in some form or other is a real concern.

Mr. BARTLETT. Commissioner Owens.

Ms. OWENS. I just might mention that in the 1980 amendments, as far as the title II population is concerned, there was an extension of Medicare coverage for the working disabled. Now a person

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has an additional 24 months of Medicare coverage after entitlement ends because of work activity assuming the person has not medically recovered.

I am sorry to say, I don't have good data to evaluate whether or not that has increased the number of people who do in fact go to work because they don't have the same risk of losing the health insurance coverage that they did before the 1980 amendments.

We are trying to figure out a way to capture these data. One of the difficulties in doing any of these tests—is trying to figure out exactly what impact, as Ms. Will said, any particular factor has in getting a person to go back to work.

All in all, for title II beneficiaries, the period of time that they actually have Medicare coverage after they go back to work, can be as long as 4 years. So there isn't that immediate loss within the Medicare population right now. We need to look at that more to see if that has had any effect on people in the title II population going back to work.

Mr. BARTLETT. Let me pose the question on section 1619 two ways: One, is do you believe that the availability of 1619 has caused more persons to be able to seek employment and to go back to work?

Second, what is it about the way 1619 is structured that has kept very large numbers of people from using it? In your opinion, is it the temporary nature of it? The fact that it is not guaranteed to be available 1 year from now, or 2 years from now? It did expire at one point. Is it the complexity of it? Is it the uncertainty of it?

There are a whole range of reforms in 1619, including grandfathering in current recipients, adding in reinstatement rights, simplifying it—which I know HHS has done remarkably good work, just administratively in the last few months, to do that, making it apply to SSDI or other things.

What are the range of issues that you think that cause only 6,800, according to your testimony, of persons from using 1619 today?

Ms. OWENS. I would love to have Ms. Davis respond to that.

Ms. DAVIS. Congressman Bartlett, of course, one of the key aspects of the renewal legislation on 1619, was to get at the answers to the questions that you have raised. We have designed a study in an effort to do our very best to get some of those answers for you. That study, of course, is due to the Congress in the middle of next calendar year. We are on schedule with that work and expect to be able to give you the kind of data and analysis that I hope will answer those questions for all of us.

I do think that part of the answer to the question about why 6,000 and not 12,000, or 18,000, or whatever number we might think is right—and I don't know if we know what's the right number—but part of that answer may lie in the demographics of the SSI population itself. That population is primarily an older population with less than 40 percent of the SSI disabled and blind under age 40. Yet we see in preliminary work we have done on the 1619 study, that most of the participants are younger.

So it's an open question in my mind, and I think in a lot of other people's, as to what is the realistic expectation that we should have——

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Mr. BARTLETT. Let me try the question a different way.

Ms. DAVIS. OK.

Mr. BARTLETT. What is about 1619 that keeps the fastest growing segment of the disability population, that is, age 18 to 25, from participating in larger numbers in 1619, or in going back to work? What is it that causes our transitional education of the handicapped out of high school into work to not succeed as well as we all want it to?

Ms. DAVIS. I would have to defer to the other experts at this table as they have already responded to earlier questions about the multiplicity of disincentives. Why 1619 does not provide instant solution to many individuals, of course, I think, is related to the other comments that we have heard. The number of individuals on the SSI rolls who are in that age group, I believe, has remained reasonably stable. The number of people who participate in section 1619 who are in that age group is disproportionate to their proportion of the total number of blind and disabled people on the rolls. So, that population does in fact utilize 1619 more than any other part of the SSI population.

Mr. WILLIAMS. The gentleman's time has expired.

Mr. Martinez.

Mr. MARTINEZ. I have no questions, Mr. Chairman.

Mr. BARTLETT. Mr. Chairman, I have waited since April 15 for this hearing, and I have been to Montana once where we explored this and some other issues.

Mr. WILLIAMS. Is the gentleman requesting a second round of questions?

Mr. BARTLETT. No, Mr. Chairman, I will ask unanimous consent to submit some other questions in writing.

Mr. WILLIAMS. If the gentleman would like a second round and an additional 5 minutes I would be glad to do that. I just wanted to go to Mr. Martinez in case he had questions and had to leave.

Mr. BARTLETT. Mr. Martinez. He has no questions.

Mr. MARTINEZ. No.

Mr. BARTLETT. Let me switch over to another issue. In the various demonstration programs that both HHS and Education have discussed, I wonder if there has been any attempt to find a linkage to link the costs of providing health benefits or other ways to get people back to work, and the benefits that are the cost savings to SSI and SSDI when someone attains that job? That is to say, the benefits to the Government accrue to SSI and SSDI to place a person out of SSI on into the world of work.

I am curious as to whether we have found any way to link those cost savings into paying for the programs themselves?

Ms. OWENS. There are two issues involved in that. First, we do have a calculation that we generally use when we talk about, say, a 35-year-old title II beneficiary who leaves the rolls to go back to work. This is someone who's condition, in the absence of work activity, would continue to meet the Social Security definition of disability. We can say that, if that person would have otherwise stayed on the disability rolls for the rest of his or her life, upward of about $200,000 could be saved to the Government in terms of health care usage, the benefits themselves, and the FICA taxes because of his or her return to work. We calculated that based on——

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Mr. BARTLETT. $200,000 per recipient?

Ms. OWENS. $200,000 per person. So that's a pretty big target there. I mean, if you could identify the right process, it wouldn't take too many people to make quite a sizable savings.

But as Ms. Will has pointed out, it is very difficult—and I think Ms. Davis was saying that, also. It is very difficult to play to all of the disabled population. There are so many different people with so many types of disabilities on the Social Security and SSI programs. You have the younger people entering the work market that you mentioned. Then you have the older person who has a chronic and progressive impairment at the other end of the spectrum. So what we have to look at, I think, is how to construct a multidimensional kind of rehabilitation program.

But to answer your question a little bit more simply: Every demonstration that we have put forth and every idea we have put forth, has a cost saving element in it. That is what we have been trying to show. By getting a person off the rolls, through whichever these programs it might be, you would save money.

There's one other piece there, though. It is very difficult to deal with. We know a certain percentage of people who are disabled do go back to work. What is very difficult to determine is the incremental change that any demonstration makes over the base amount of people who would go back to work without any specific intervention program.

Ms. Davis has a point on what they are trying to do with 1619.

Ms. DAVIS. Of course, the key question in the whole 1619 study, is what, if any, savings accrue to the Government as a result of 1619? A key question is: Did people go back to work because this provision was there, or would they have gone back to work anyway?

We are trying to get at that motivational question in a survey that we sent to about 3,500 people earlier this month. Among the questions that we have asked them is: In deciding whether to work, how important to you was the ability to retain your benefits?

I think the answer to that question will be key in making these estimates of whether this provision saves the Government——

Mr. BARTLETT. In the study, will you then take the results of that survey and calculate, then, based on that survey, calculate the savings to the Government that accrued from section 1619?

Ms. DAVIS. That survey will be key to making an assumption about how many people who use 1619 would have worked and gone off the rolls anyway, and how many people only went to work because 1619 allowed them to retain the Medicaid coverage.

Mr. BARTLETT. One other question and then I want the other two witnesses to perhaps answer the first one. That is, the current 1619 population is somewhat biased and does not include those persons who could not use section 1619, or did not use it, because of the uncertainty that it could be withdrawn. So, is there any way for you to get at the question as to how many people then chose not to go to work because of the uncertainty of 1619 who would have gone to work had they known that they could count on it?

Ms. DAVIS. We are surveying, I think, a thousand people who are not participating in 1619, to ask them that very question.

Mr. BARTLETT. Good.

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Let me ask a specific question, then, on the first question, Madam Secretary, and that is, vocational rehabilitation agencies, and private rehabilitation agencies, and PWI, all perform training and placement kinds of services for disabled persons.

Two questions. First, is there a way in current law for those agencies to perform placement only services and get reimbursed for it? And, second, is there any way in present law for those agencies to perform either training, rehabilitation, and/or placement, and get reimbursed from the beneficiaries, that is, the SSI or SSDI funds on a contract kind of basis? And if not, should there be?

Can a vocational rehabilitation agency go to SSI and say to SSI, we can save you $200,000 per client and we will only charge you $1,500 per client?

Ms. WILL. No, no.

Mr. BARTLETT. Should there be? I mean, that's a rough savings of $198,500. I realize I oversimplify.

Ms. WILL. One of the purposes of the supported work demonstration in which we think there will be many, or at least a fair number of SSI eligible clients, would be to give us information about whether there will be real cost benefits involved in placing these individuals in supported employment.

There's still an outlay appreciably larger than the outlay made by the rehabilitation agencies now, but balanced with that will be the income that is earned by the client. So there will be a savings, we expect, but one will have to analyze which programs will be affected and how.

Mr. BARTLETT. That's for the supported work programs.

Ms. WILL. Yes.

Mr. BARTLETT. What about for unsupported work, that enormous percentage of the population that can go to work in an unsupported way that wants to, that a voc-rehab, or a Lighthouse for the Blind, or other agencies, could place, do you think that there should be a provision in law to allow SSI and SSDI to contract for that placement?

Ms. WILL. I don't have enough information that would allow me to answer.

Mr. BARTLETT. Lex.

Mr. FRIEDEN. I couldn't comment on that.

Ms. OWENS. In the demonstrations that we are doing right now we are doing direct job placement. For example, the employer based initiatives, the project that we have with the Electronic Industries Foundation. We have worked directly with them. They are going to place 200 of our beneficiaries. They have set up a system in order to do that. We have a direct referral.

Now, they are a Project With Industry group and they will work through State vocational rehabilitation agencies. My experience has been in setting up all of these demonstrations that there certainly is a network there that everyone works through, and that State VR agencies play a very important part.

Is that responsive?

Mr. BARTLETT. Yes, so you do have at least that demonstration program you are able to contract for placement and services and pay out of SSI and SSDI funds?

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Ms. OWENS. Yes, but that is in a demonstration kind of way only. We can't do that on an ongoing basis. We can only do it under the demonstration authority.

Part 2 that I mentioned, involving our working with various rehabilitation agencies, is the demonstration authority that has now in fact, expired. We support having that authority extended.

We could do a lot more things in that regard and certainly that cost effectiveness part of it would be a piece of the measurement.

Mr. BARTLETT. If you could report back to this committee on the results of the demonstration and a recommendation as to whether that demonstration could simply be enacted for a more fuller range of services.

Mr. Chairman, I appreciate the additional time. I just have one additional question which I think would be fairly brief.

That is, if it is not the right time to provide for a permanent authorization of 1619, which I don't agree with, I think it is the right time—but if in fact that's not going to happen, or you don't advocate that, would you think it would be useful to at least provide for a permanent authorization for those individuals who participate in 1619 to take it away from the institutional question and just put it on the question of that individual; if an individual participates in 1619 that we would assure that individual that the 1619 medical benefits are not going to be taken away at a later time for that individual.

Would that be a useful way to remove the uncertainty?

Ms. OWENS. I think a lot of that will depend on the results of the study and the cost/benefit ratios that you yourself have been talking about. Until we get the data back, I think we would be premature to say that.

Mr. BARTLETT. Of course, it's a logical non sequitur, because if no one is motivated by 1619, then it wouldn't cost us anything anyway.

Secretary Will, do you have a comment on whether a grandfathering for an individual for 1619 would be a useful incentive or removal of a disincentive?

Ms. WILL. I think we would like to know more about what the psychological impact and the impact on attitudes that 1619 A and B are going to have. In addition, we would like to know more about how you determine whether a person can reach SGA or not. Given the host of advances in technology and training, it is an entirely new question today.

We would also like to make a better determination about which incentives are really important to a particular client.

Mr. BARTLETT. Lex. Mr. Frieden.

Mr. FRIEDEN. Secretary Will and Commissioner Owen have outlined very clearly the complexities of the situation involved. I would say that it seems fair to expect people who have sought the protection or the benefit of an authorized section such as 1619 to be able to expect that to continue if they took the risk of seeking employment.

I would say, also, that the issue involved in that are more complex than they seem offhand.

Mr. BARTLETT. Thank you. Thank you, Mr. Chairman.

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Mr. WILLIAMS. I thank this panel for your participation with us today.

I ask Mr. Griss, Mr. Ashe, and Mr. Geletka to join us at the hearing table, please.

Mr. Griss is with the Office for Persons with Physical Disabilities, Wisconsin Department of Health and Social Services, representing today the Consortium for Citizens with Developmental Disabilities. We will hear from you first, sir.

STATEMENTS OF BOB GRISS, OFFICE FOR PERSONS WITH PHYSICAL DISABILITIES, WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES; WILLIAM H. ASHE, DIRECTOR, ADULT DEVELOPMENTAL DISABILITIES PROGRAM, WASHINGTON COUNTY MENTAL HEALTH SERVICES, INC., BARRE, VT; AND JAMES R. GELETKA, DIRECTOR, SPECIAL PROJECTS, ELECTRONIC INDUSTRIES FOUNDATION, WASHINGTON, DC, ON BEHALF OF ELECTRONICS INDUSTRIES FOUNDATION

Mr. GRISS. Thank you, Mr. Williams.

Thank you for this opportunity to testify before your committee today. My name is Bob Griss and I work in Wisconsin's Department of Health and Social Services.

In the last 6 months, I have been engaged in a study of the relationship between health care costs, health care insurance, and employment, as part of a joint effort of the Division of Community Services, the Division of Vocational Rehabilitation, and the Governor's Committee for People with Disabilities.

In order to explore the State's options to remove disincentives to work, when the Consortium for Citizens with Developmental Disabilities heard of my study, they asked me to share my experience with you. The consortium represents a coalition of over 40 national organizations of consumers, providers, and other professionals. They are very grateful to Representative Bartlett for introducing H.R. 2030 and to the subcommittee for holding this hearing today, which gives us an opportunity to strongly endorse what we consider a very important piece of legislation.

I would like to submit some written testimony for the record when I return to Wisconsin. And I would also like to ask that the study that I have conducted, which will be completed within the next few weeks, to be included in the record.

Mr. WILLIAMS. We will leave the hearing record open for additional testimony and we will accept a copy of the study for our files.

[The documents to be furnished follow:]

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PREPARED STATEMENT OF BOB GRISS, WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES, DIVISION OF COMMUNITY SERVICES, BUREAU OF COMMUNITY PROGRAMS, OFFICE FOR PERSONS WITH PHYSICAL DISABILITIES

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TESTIMONY ON H.R. 2030

Introduction:

Thank you for this opportunity to testify before the Select Education Subcommittee today. My name is Bob Griss and I work in Wisconsin's Department of Health and Social Services. In the last six months, I have conducted a study of the relationship between health care costs, health insurance coverage and employment for persons with physical disabilities. This research represents a joint effort of our Division of Community Services, Division of Vocational Rehabilitation and Governor's Committee for Persons with Disabilities-Client Assistance Program to explore options at the state level to reduce disincentives to work for persons with disabilities. When the Consortium for Citizens with Developmental Disabilities learned of my study, they asked me to share my experience with you. The Consortium* represents a coalition of over forty national organizations of consumers, providers and other professionals, and they are grateful to Representative Bartlett for introducing H.R. 2030, and to the Subcommittee for holding a hearing on this legislation which we strongly support. I will submit written testimony for the record and would like to ask that my study entitled "Health Care Coverage for Working Aged Persons with Physical Disabilities: A Key to Reducing Disincentives to Work" also be placed on the record as soon as it is completed.

Historical Context:

Now is the time to recognize that disabilities need not preclude work. We can no longer pretend that one can distinguish between persons who can and cannot engage in substantial gainful activity as a consequence of a disabling condition. Persons who cannot hold a pen can activate a computer keyboard or utilize some adaptive equipment which can maximize productivity. Technology can enable people to transcend their physical and mental limitations. With the changing nature of work and developments in rehabilitation technology and medical technology, it is no longer necessary for an individual to be trapped in a broken body. In the last decade and a half, great strides have been made in expanding the public commitment to education through the Education for All Handicapped Children's Act of 1972, and in removing other barriers to equal opportunity for persons with disabilities through Sections 502, 503, and 504 of the Rehabilitation Act of 1973. But while the capacity to rehabilitate people has greatly increased, the Social Security laws continue to penalize people with disabilities when they work because SSI and SSDI require that persons be unable to engage in substantial gainful activity (SGA) as a condition of eligibility.

Without 1619:

Many persons with disabilities cannot afford to work because their limited incomes will not cover their necessary disability-related expenses. Without

* See Appendix 1 for member organizations in the Consortium for Citizens with Developmental Disabilities with participation in the Task Forces on Employment, Medicaid and Social Security.

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1619, persons earning over $300 per month after their trial work period (nine months) and an extended period of eligibility (fifteen months), are no longer considered disabled. This creates the so-called "notch effect" where a slight increase in income over $300 per month results in a substantial loss in income and health care benefits. Many disabled SSI recipients have to choose between the security of SSI income payments and comprehensive Medicaid health care coverage and the insecurity of low wage jobs with no health benefits and frequent turnover which they often face in the job market because of their limited skills. In addition to these losses, the individual with disabilities is expected to be totally responsible for his or her own work expenses such as taxes and transportation as well as pay out of pocket for durable medical equipment such as a wheelchair and attendant care which are often not covered by group insurance policies. Small employers and employers in the service sector where many SSI recipients can find jobs, often do not provide health insurance for their employees, or it is not available for part-time workers. At the same time, private insurance companies may refuse to provide individual policies to persons with certain pre-existing conditions. While the average Medicaid cost per person is surprisingly low for many persons with disabilities on SSI, the fear of having no health insurance remains high. Without 1619, many persons with disabilities who are trying to work, also lose access to other support services which can be purchased through Medicaid or which are contingent upon SSI status. It is no wonder that only 4.7% of SSI recipients who are disabled earn any income and that many persons with disabilities live in continuing fear of the Social Security Administration's power to decide on the basis of changing subjective standards if they are disabled or not disabled. I unexpectedly encountered this fear in my anonymous survey of SSI and SSDI recipients through the Department of Health and Social Services, and the Social Security Administration would certainly encounter this fear in its efforts to evaluate 1619.

Problems with Existing 1619:

Although the existing 1619 program has the effect of raising the SGA level to the federal break-even point of around $734 per month (plus the optional state supplement for 1619(a) and the additional value of needed health care costs for 1619(b), several problems remain which interfere with its effectiveness.

The temporariness of the 1619 demonstration program, which has already lapsed twice since 1980 and is scheduled to expire again in June 1987, probably discourages many SSI recipients from trying to work. In addition, employers may be discouraged from hiring persons who may have to leave employment to avoid losing essential income or health care benefits. Many family members and rehabilitation counselors have also expressed great concern about encouraging employment that may leave persons with disabilities worse off than before.

The complexity of SSA regulations (see Table 1 for flow chart developed by SSA) undermines the work incentive of 1619 which must meet the criteria of simplicity, stability, and security to be effective. Many persons with disabilities, rehabilitation counselors, and even SSA claims representatives do not adequately understand how to apply the asset and income tests in the

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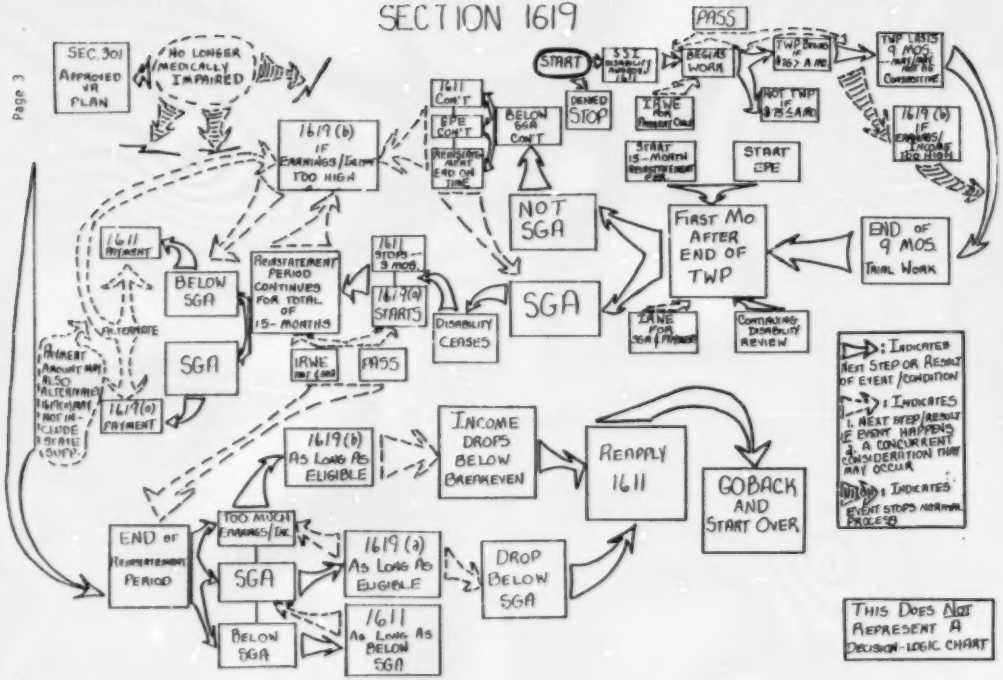
Table 1: SSA FLOW CHART ON

SECTION 1619



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month before the month of benefits, and the number of months that one has earned over $75 since receiving SSI to determine the number of trial work months one has left, and the regulations governing the calculations of impairment- related work expenses to develop a realistic plan for work. The lack of authoritative information on applying these complex rules of eligibility has discouraged many SSI recipients from utilizing 1619. One rule often referred to as the "month before the month rule" penalizes unstable work above the SGA level because it breaks the chain of eligibility for SSI. While 1619 protects SSI recipients who have part-time continuous employment, persons who can earn over SGA in the preceding month (after their trial work period) may have to wait for a period of three to six months to requalify for SSI which they may lack the resources to do.

Another problem with the existing 1619 program is that it is not linked to Title XX for enabling services like Supportive Home Care. As a result, the need for Supportive Home Care is not taken into account either in the calculation of the income threshold which determines eligibility for 1619 or in determining the eligibility of persons on 1619 for Title XX funded services. The absence of a linkage between 1619 and other necessary support services, such as transportation and housing also diminish the effectiveness of 1619 to overcome barriers to employment.

The lack of awareness of 1619 among persons with disabilities, rehabilitation counselors and SSA claims representatives remains a tremendous obstacle to its utilization. Although 1619 has been available since 1980, it remains one of the best kept "secrets" in Washington. This is not accidental as the Social Security Administration has consistently opposed the creation and the continuation of the 1619 program, and has failed to publicize it. When Congress considered the extension of 1619 in 1983, SSA argued both that it would be too costly and that few people have used it. Some observers think that it has been difficult for the SSA to get behind the promotion of work incentives like 1619 which extend income and health care benefits to people who work, because their primary priority has been to get people off the disability rolls. In response to a strong Congressional mandate, the SSA has finally begun publicizing the 1619 program since April 1985. While SSA should be commended for producing a useful brochure for the public entitled Disability Benefits and Work (April 1985 Edition), and developing a training manual on work incentives for Vocational Rehabilitation (VR) counselors, and a videotape on Disability Work Incentives, as well as initiating training of local SSA staff on 1619, the sad fact is that most consumers and many rehabilitation counselors are still not aware of the 1619 program or how it operates. Moreover, the brochure is not available in some local SSA offices, the SSA training manual for VR counselors which is dated May 1985, makes scant mention of the regulations governing the 1619 program, and the videotape is too technical for a general audience.

The experience of the Transitional Employment Training Demonstration (TETD) pilots, operating under SSA waiver authority, illustrates two of the problems of the 1619 program. These pilots represent the only use for SSI recipients which SSA has made of its waiver authority which Congress authorized for SSA experimentation with work incentives in the 1980 Social Security Amendments. Targeted to SSI recipients with mental retardation between the ages of eighteen and forty, these pilots have had difficulty

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attracting participants in spite of four SSA waivers which exempt participants from many of the SSA regulations which create work disincentives. While SSA delays in implementing these pilots make it difficult to reach firm conclusions at this stage, two lessons can be drawn. One is that temporary waivers, like a temporary 1619 program, may not provide sufficient protections for persons with severe permanent impairments. The second is that the nature of the outreach appears to be critical in affecting participation. In Wisconsin's two TETD pilots -- one in an urban area and one in a rural area, it appears that the greater personal knowledge by project staff of persons with disabilities in the rural setting has elicited greater participation than in the urban setting. An observer of a TETD pilot in the Boston area remarked that SSI recipients were much less interested in TETD when first contacted by SSA than when the same individuals were approached by a respected research center.

The SSA spokesperson at this hearing* has argued against making 1619 permanent before they have completed their evaluation of 1619 which is expected in mid-1986. But the SSA evaluation will not be able to tell how SSI recipients would have responded to a permanent 1619 based on their reaction to a temporary 1619 program which is scheduled to lapse on June 30, 1987. It is significant that the SSA questionnaire does not inquire if the person was discouraged from working by the temporariness of 1619. My fear is that the SSA will find, that among the few persons who left the SSI rolls by earning over SGA, most did not use 1619, and will therefore conclude that 1619 is not an effective work incentive. SSA will ignore the fact that most people did not know about 1619 and will neglect the possibility that a much larger number would have chosen to work if they were protected by a permanent 1619. The SSA questionnaire also did not ask individuals to identify various obstacles to work which the Social Security Administration could help them overcome.

Advantages of HR 2030:

By turning SSI recipients into taxpaying workers, H.R. 2030 can be extremely cost effective. In a recent "Employment Survey for Adults with Developmental Disabilities" Kiernan and Olborowski estimate that the return on investment to society for the 12.6% of mentally retarded persons in vocational services who became competitively employed in FY 1984 was $135,192,289.

* See Appendix 2 for witness list in oversight hearing on H.R. 2030 before Subcommittee on Select Education.

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Table 2: Annual Estimated Return on Investment to Society

A.	Tax Contribution	
	Federal Income Tax	$ 6,429,204
	State Income Tax	3,326,926
	State Unemployment Tax	4,630,775
	Federal Unemployment Tax	823,249
	Social Security (individual contribution)	7,547,229
B.	Corporate Contribution	
	Social Security	7,547,229
C.	Transfer Payments	
	Reduction in SSI	33,339,825
	Medicaid Reductions	507,532
D.	Alternative Program Cost	
	($16 per day per person average)	71,040,320
	Total Estimated Societal Benefit	$135,192,289

Kiernan, William E. and Ciborowski, Jean "Employment Survey for Adults with Developmental Disabilities," page 23, National Association of Rehabilitation Facilities, P.O. Box 17675, Washington, DC 20041, May 1985.

Moreover, a recent Congressional Budget Office preliminary estimate of the cost for making 1619 permanent projects a zero-budget impact. This CBO estimate reflects the assumption that many SSI recipients who would otherwise remain on the SSI rolls for life would actually begin to work under the protection of a permanent 1619. This would allow for an actual reduction in SSI payments and health care benefits which would offset the additional cost of extending SSI payments and Medicaid benefits to persons who would have worked above the SGA level without 1619. The financial advantages to the Social Security Administration of enabling an SSI recipient to work are quite substantial. SSA estimates that a typical SSI recipient at the age of 35 years old would receive at least $200,000 in SSI income payments and health care benefits if not working by the time he or she became 65 years old.

Beyond making 1619 permanent, the proposed bill H.R. 2030 takes some significant steps to correct the existing limitations of 1619. These include:

1) A linkage of 1619 to Title XX which originally existed in the 1980 Amendments but was inadvertently eliminated in October 1981 when Title XX was converted into the Social Services Block Grant Program.

2) Revision of the month-before-the-month rule for "unusual, infrequent or irregular income."

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3) Notification of SSI recipients about 1619 when their eligibility for SSI begins and again when their earned income exceeds $200 per month. The present computer-generated notice which SSA utilizes in Wisconsin informs SSI recipients when their SSI check is to be terminated that they can contact their county department of social services if they want further information about Medicaid eligibility. This inquiry generates no information about 1619 and only results in a referral back to the local SSA office.

4) A study design for GAO to look at the cost-effectiveness of 1619.

Ways to Strengthen H.R. 2030:

The following ideas could further strengthen the effectiveness of H.R. 2030 as a work incentive for SSI recipients:

1. Nature of notification requirements for SSA:

   a. Identify the 1619 program as an extension of SSI and Medicaid for permanently disabled persons who work. SSA should not perpetuate the myth that persons with disabilities cannot earn over $300 per month.

   b. Notice should use language which is understandable to SSI recipients including persons with mental disabilities.

   c. Notice should describe eligibility criteria for 1619.

   d. SSA should notify all former SSI recipients terminated since 1980 for exceeding SGA, that they may be "retroactively eligible for 1619" if they met existing eligibility criteria but had not been duly informed by SSA of the existence of 1619. This effort can begin to restore some badly eroded trust since the Continuing Disability Investigations of the early 1980s which attempted to reduce the SSI rolls by using different standards to disqualify large numbers of persons. Retroactive eligibility would also highlight SSA's recognition of its responsibility to assist people who want to work.

2. SSA relations with vocational rehabilitation counselors:

   a. Every local SSA office should designate at least one specialist for 1619 if it is not practical for all SSA claims representatives to be thoroughly familiar with its complex regulations.

   b. 1619 specialists should have periodic contact with VR and other rehabilitation counselors to assist in developing "Individualized Work Rehabilitation Plans" for SSI recipients who would be willing to risk working if they did not face the additional risk of losing SSI and Medicaid before they could earn enough money to support themselves.

   c. SSA should require VR to keep a case open after job placement at the SGA level for follow-along support during the trial work period.

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d. SSA should create incentives for VR agencies to contract with SSA to get SSI recipients into competitive employment.

3. 1619 should provide stability by eliminating the month before the month rule which penalizes unstable work by SSI recipients.

4. 1619 should provide simplicity by providing automatic re-entitlement if earned income drops below the income threshold for 1619, or at least below SGA, unless medical recovery has occurred.

5. 1619 should provide security by extending the Extended Period of Eligibility (EPE) for five years after termination of 1619 status for SSI recipient whose income exceeds the 1619 threshold through earnings.

6. 1619 should provide parity with blind SSI for disabled non-blind SSI recipients with permanent severe impairments for which medical recovery is not expected and for whom significant medical care or personal care is necessary to perform work activity. Under the Social Security laws, blind persons have greater work expense exclusions and a higher SGA level for SSDI recipients (now $610 per month) which is equivalent to the Old-Age, Survivors and Disability Insurance (OASDI) exempt earnings amount for Social Security recipients over 65 years old. There is no SGA limit for blind persons governing eligibility for SSI benefits although SSI payments are reduced as earned income rises. Not surprisingly, there is a higher percentage of blind SSI recipients who work than non-blind disabled SSI recipients who work.

7. 1619 should be linked to Title XX in the calculation of the income threshold for determining eligibility for 1619 as well as in entitlement to Title XX services.

8. If Supportive Home Care, funded by Title XX, is inadequate to meet attendant care needs, 1619 should be linked to a Personal Care Attendant program. For states which do not provide attendant care through the State Medicaid Plan, states should have the option of using a Medicaid waiver to fund personal care attendants through Medicaid for persons eligible for 1619. Eligibility for personal care attendant benefits should be based on the severity and permanent nature of the disability rather than on level of earnings.

9. Allow exclusion of Impairment-Related Work Expenses (IRWE) from calculating trial work month.

10. Allow establishment of Plan for Self-Support (PASS) at any time during a person's Trial Work Period, Extended Period of Eligibility, or 1619 eligibility.

11. Calculation of the income threshold for 1619 should exclude income set aside for Plans for Self-Support and Impairment-Related Work Expenses which are already closely monitored and are not available for other purposes.

12. Raise the asset limits for SSI from $1,500 which was established in 1972 to at least $3,500 which reflects the value of $1,500 in 1985 dollars.

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13. The monthly minimum earnings threshold which determines when one month of trial work period has been used up should be raised from $75 up to the SGA level. A compromise figure would raise the monthly minimum up to $190 per month which is the highest amount one can earn at the present time without being questioned about SGA.

14. The SGA level, minimum monthly threshold for determining a trial work month, and the asset or resource limits should be adjusted annually to the cost of living index as is the federal SSI cash benefit amount.

15. The individualized income threshold for 1619(b) based on the value of equivalent benefits actually needed including SSI, Medicaid, and Title XX should be formalized in the Social Security statute books.

16. Extend 1619(b) to SSDI recipients who meet the income and asset tests for SSI as well as the other eligibility tests for 1619.

17. Encourage SSA to use waiver authority to pilot work incentives on a state-level basis or other geographical jurisdiction instead of small pilot programs within an area.

18. Enable GAO to evaluate the work incentive of a permanent 1619 which cannot be predicted from reaction to the option of temporary 1619 program; this can be accomplished as a fall-back option by extending a permanent 1619 status to SSI recipients who apply during the next 3-5 years.

Comments on Title II and Title III:

Besides the work incentives of 1619, H.R. 2030 recognizes that training and support play an important role in enabling persons with disabilities to enter employment. Title II provides a grant program to assist employers to plan retention and re-employment of disabled workers. SSA's Survey of Disability and Work in 1978 shows that approximately two-thirds of persons with severe limitations were employed at the time they became disabled. If employers can be assisted to retain persons who become disabled, many persons would not need SSI or SSDI.

Title III provides grants to states to promote crucial employment services like job development, counseling, technical assistance, job trainers, job assistants, reimbursement for transportation and health insurance and other rehabilitation services. We know from experience that these services can be effective but the scale of these programs are inadequate. Since 1981, the federal government has reduced its contribution to the vocational rehabilitation of SSI and SSDI recipients in the Beneficiary Rehabilitation Program from $124 million to $6.3 million dollars. Is it any wonder that VR programs across the country are screening out SSI and SSDI persons as inappropriate for rehabilitation under the guise that they would be discouraged by work disincentives in the SSA laws anyway. While we strongly support the goals of Title II and Title III in H.R. 2030, we would prefer to see an expansion of Title VI of the Rehabilitation Act for Projects with Industry which preserves its flexibility, the expansion of Targeted Job Tax Credits, and the expanded use of existing SSA waiver authority to pilot different work incentives for rehabilitating SSI and SSDI recipients.

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Beyond H.R. 2030:

Once 1619 work incentives are permanently in place for persons on SSI, we should remove the work disincentives for SSDI recipients by creating a parallel 1619 program. SSDI recipients are a larger group than SSI recipients, and they have a greater potential to return to the work force and earn higher wages because of their previous work experience and better work skills. Many SSDI recipients are discouraged from work because of the anticipated loss of needed health care benefits or the loss of higher income payments by exceeding the low SGA level. An effective work incentive for SSDI recipients will probably have to incorporate a mechanism analogous to the SSI break-even point which gradually reduces income benefits as earned income rises. This enables a person to be better off by working, not worse off. Without a reduction in benefits mechanisms, SSDI recipients face the option of being eligible for all benefits by not working, or being eligible for none by working over SGA. Removing work disincentives in the SSDI program holds the potential of generating even more savings than the existing 1619 program for SSI recipients.

Conclusion:

SSA reports that raising SGA does not increase work activity. But it has never been raised high enough for any person to meet his or her basic needs much less for persons with disabilities to pay for the extraordinary impairment-related work expenses that many persons with disabilities face. Rather than serving as an indicator of "Substantial Gainful Activity," SGA has acted as a substantial disincentive to work. The problem is not only that the Social Security system penalizes a person in the short run for working by withdrawing needed benefits, but that in the future, if the person becomes unemployed again or has a deterioration in health, one may not be able to requalify as "disabled" or requalify in time if one has previously demonstrated the capacity to work. It is not that disabled people prefer leisure over work as economic models have a tendency to project, but that people with disabilities and their families and rehabilitation counselors know that they will need health care and various supports even when they work. A permanent disability does not go away when one begins to earn $300 per month. Is there any wonder that only 13.6% of working aged persons with severe disabilities enter the labor force according to the SSA's 1978 Survey of Disability and Work.

We need a public policy which recognizes the barriers to employment of disability-related expenses and is committed to assisting severely disabled individuals to work without fear of losing income or publicly subsidized health care coverage before they can earn enough money to support themselves. Many persons with disabilities cannot afford to work now because they need certain basic supports, and the law says that if you earn over SGA, you are not disabled. Your support for H.R. 2030 can send an important message to the Ways and Means Committee and to Congress that you affirm the value of work in our society for all people.

Thank you.

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Consortium for Citizens with Developmental Disabilities

APPENDIX 1:

For more information contact:
Paul Marshand
ARC/US
1 22 K STreet, N.W. Suite 518
Washington, D.C. 20005
(202)785-3388

STATEMENT RESPECTFULLY SUBMITTED

TO THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON EDUCATION AND LABOR

SUBCOMMITTEE ON SELECT EDUCATION

ON H.R. 2030

ON BEHALF OF

THE CONSORTIUM FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES

TASK FORCES ON EMPLOYMENT, MEDICAID AND SOCIAL SECURITY

American Association on Mental Deficiency
American Speech-Language-Hearing Association
Association for Retarded Citizens/United States
Conference of Educational Administration
Convention of American Instructors of the Deaf
Epilepsy Foundation of America
Good Will Industries of America, Inc.
National Association of Mentally Ill
National Association of Private Residential Facilities
for the Mentally Retarded
National Association of Protection and Advocacy Systems
National Association of Rehabilitation Facilities
National Association of State Mental Retardation Program Directors
National Council of Rehabilitation Educators
National Easter Seal Society
National Head Injury Foundation
National Mental Health Association
National Rehabilitation Association
National Society for Autistic Children and Adults
United Cerebral Palsy Association, Inc.

Witness:

Bob Griss
Madison, Wisconsin

October 17, 1985

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APPENDIX 2:

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

SUBCOMMITTEE ON SELECT EDUCATION

WITNESS LIST

for an oversight hearing on

H.R. 2030 - THE EMPLOYMENT OPPORTUNITIES FOR DISABLED AMERICANS ACT OF 1985

October 17, 1985, — 10:00 a.m.

2257 Rayburn House Office Building

PANEL 1

Pat Owens, Associate Commissioner for Disability, Social Security Administration representing the Department of Health and Human Services.

Madeleine Will, Assistant Secretary, Special Education and Rehabilitative Services, representing the Department of Education.

Lex Frieden, Executive Director, National Council on the Handicapped, representing the National Council on the Handicapped.

PANEL 2

Bob Griss, Office for Persons with Physical Disabilities, Wisconsin Department of Health and Social Services representing The Consortium for Citizens with Developmental Disabilities.

William Ashe, Director of Administration on Developmental Disabilities, Washington County Mental Health Agency, Barre, Vermont.

James Geletka, Director, Special Projects, The Electronic Industries Foundation, representing The Electronic Industries Foundation.

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Mr. GRISS. Thank you.

I would like to address my comments—I would like to ask a clarification first, may I have an opportunity to comment on some of the discussion that has already taken place after my presentation, or ought I try to squeeze it in in my existing testimony?

Mr. WILLIAMS. If you have testimony that you obviously feel is relevant, you ought to start with that.

Mr. GRISS. Thank you.

This, I think is a very important historical moment because we are able to recognize that disabilities no longer have to preclude work. For a long time, rehabilitation has been directed at people who were blind because they had a stable disability and we figured that we could provide the kinds of supports that they needed, and then they could be employed. Most of the rehabilitation strategies have been directed at the blind population.

I think we are at a point now where we can begin to expand the populations that are needing rehabilitation services. This particular piece of legislation strongly addresses that. The nature of work is changing. A person who cannot manipulate a pen can use a computer keyboard and accomplish many things that you couldn't possibly accomplish with a pen. Technology in the workplace, medical technology, rehabilitation technology, the commitment that Congress has already made to the Education Act and the Vocational Rehabilitation Act, create a very important basis for encouraging people to work. Yet we have a Social Security system which penalizes people when they go back to work.

The truth is, we can't distinguish between persons who can and cannot work on the basis of their disability. That myth is no longer tenable, and I think we have to recognize it.

The Disability Determination Service, funded by the Social Security Administration, cannot, by looking at a person's disability, tell whether they can earn the SGA level of $300 a month. That is a myth. I don't know if it ever was true, but it certainly isn't true today.

Without 1619, many persons cannot afford to work because their limited incomes will not cover their necessary disability related expenses. That is a truth. The SGA level of $300 a month, when you exceed that, after the trial work period, which is a good idea—and the extended period of eligibility, which is another 15 months, which is an important addition. Those were both part of the 1980 amendments. Once you get beyond that period, you are on your own if you have exceeded the $300 a month without 1619. That means the individual is responsible for all work expenses—not only taxes—and the transportation costs of getting to work; and attendant care, which could easily run $4,000 to $8,000 a year for a person needing 3 to 6 hours of personal care.

Durable medical equipment is often inadequately provided by health insurance policies. That means it's out-of-pocket expense, again, to that person who just happened to earn over the $300 a month.

The kinds of jobs that SSI recipients are likely to get are low security, low paying jobs. Those are not the jobs that have group health insurance policies attached to them.

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If that individual who goes back to work becomes unemployed in the future, not because he was unproductive but because the company went out of business for some reason, he may have a difficulty in requalifying as a disabled person, because he has demonstrated his capacity to earn SGA—$300 a month. That period for requalification could be 3 to 6 months. That is a real problem. It is an arbitrary decision made by the Social Security Administration and one that is very frightening to people who know that they have real needs.

There is also the problem that health insurance companies are not interested in providing individual policies to persons with disabilities or to persons with preexisting conditions. So if you can't get the group health policy and you can't get an individual policy through an insurance company, and you are no longer eligible for Medicaid, you are really taking a risk.

Now, I have actually had an opportunity to look at Medicaid beneficiary claims in Wisconsin—at least a sample of them. I was amazed that the level of Medicaid costs was not very high. But, none of us, regardless of our health, really wants to go without any health insurance at all. And the risks are greater for persons with disabilities.

When an insurance company looks at a person with disabilities, they look at not just the probability of the person needing something like hospitalization, but if that probability came to actualization, what would it cost the insurance company. That's what they would choose to charge for individual premium, and that is a very high amount, maybe four or five times what the cost is for a nondisabled person.

The burden for a disabled person picking up that amount out of pocket or through these low wage jobs is incredible. That's why we have a 13.9-percent rate of reentry to employment after being on SSI or SSDI. Without Medicaid, many SSI recipients would be without any health insurance.

Now, there are many problems with the existing 1619 program, and I would like to point out some of those problems. First of all, within the 1619 program we have the problem of the temporariness. It's a program that has already expired once. It was extended, not by Congress, but by the Department of Health and Human Services, and it's due to expire again in June 1987. This, I feel, discourages SSI recipients and it discourages employers to invest in hiring and training a person on SSI who, after the expiration of 1619, may feel they cannot continue working because they don't want to jeopardize Medicaid. To me that's a real discouragement.

Interestingly enough, the SSA evaluation of 1619 ignores that particular issue. They don't ask you the question: Would you have participated had you known about 1619? They don't even ask about 1619 specifically. They mention the possibility of continued Medicaid coverage but they don't really find out what people know about it.

My feeling is, most people who have gotten off SSI didn't know about the existence of 1619. Most local SSA claims representatives didn't know about 1619 before April when the Social Security Administration finally decided to tell them.

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What we are going to find from this SSA study is that most people left SSI without using 1619 but that's because they didn't even know about it. We won't know how many people would have gone off had they known about it, and more importantly, had they known that it was something that was permanent, that they could count on beyond June 1987.

The second major problem with 1619 is its complexity. I couldn't possibly explain to you the major parts of its complexity. A claims representative would have difficulty in doing it within the 10 minutes that I am allotted here. From the acid tests, and the income tests, and the number of months that you have worked earning over $75 that constitute a trial work month, the way you can calculate impairment-related work expenses, and the way you can't—there are lots of complexities to this. It is not understood by people on SSI; it is not understood by people in the Division of Vocational Rehabilitation; it is not understood adequately by most SSA claims representatives. That complexity is a discouragement to people who want to work.

There is also the lack of a linkage between 1619 and needed social services, like title XX, that used to pay for supportive home care, which is now the Social Services block grant.

When this legislation was adopted in 1980, title XX was included. In 1981, in October, title XX was excluded. It was no longer linked to 1619. What that means is, if you are in need of attending care, even though you qualify for 1619, if your State doesn't happen to provide attendant care through the Medicaid system, as my State of Wisconsin doesn't, you are out of luck. You are facing a county social services system that says you are no longer indigent, you are able to earn over SGA—and they have their own income criteria—and so we are not obligated to provide you that attendant care—an incredible discouragement.

We have in the existing 1619 a rule called the month before the month rule. If you are not eligible for SSI in the month prior to the time that you apply—in fact, each month—you have broken the chain of eligibility. You, therefore, cannot continue receiving 1619. That may work for a part-time person who is earning low income, an income, let's say, under the Federal break-even point of 735. But for somebody who has just a minimum wage and has unstable work, as many persons do--whether they are disabled or not—they are immediately trapped by this existing provision in 1619.

We talked a little about the lack of publicity for this bill and I think the Social Security Administration has a big job in correcting about 5 years of indifference to publicizing this to all of the people who need to know. It is one of the best kept secrets in Washington. I don't know others, but I am guessing about that.

We also see that one of the demonstration projects which the Social Security Administration is promoting now: transitional employment demonstration project—they are trying to target people with mental retardation between the ages of 18 and 40 and find work for them.

I have talked to many of these local projects across the country. They are having a hard time finding people who are willing to do it. However, what is provided for those people is a waiver. There's a temporary waiver. You don't have to worry about the trial work

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period during this demonstration project. You don't have to worry about all of the complexity, and they are still not jumping in.

My feeling is that that indicates two things. One, a temporary waiver is not adequate for that demonstration project and shouldn't be considered adequate for 1619. Second, the nature of the outreach to the persons on SSI is crucial.

I found in one rural community in Wisconsin—we happen to have an urban and a rural site—they are having a lot of success in locating people for the experimental training group. In the urban community, they are not having very much success at all. I think that indicates that it's the nature of the outreach.

Now, what is the nature of the outreach? When a person exceeds the SGA level and the computer generates a notice from SSA and communicates that to the individual, it doesn't say do you know that there's a program called 1619 and you could qualify for it if you meet these conditions? No. It says if you don't like losing your SSI and you are concerned about how that will affect your Medicaid eligibility—it terminates it—you ought to contact your county social services department. Well, that's another actor which is even further away from the vocational incentives system. Again, I feel an inadequacy in the way Social Security has communicated to people about 1619.

Lastly, I want to discuss the problems of evaluation of 1619. How can they tell us whether people would use this if it became permanent when it isn't offered to them now as a permanent program?

I don't mind waiting for results that will be relevant to the issue, but to me this seems like a reason for delaying unnecessarily. They cannot tell us whether people will use it unless the people who are offered it know that they can have it permanently.

Representative Bartlett just mentioned in conversation this grandfathering idea for people who are on 1619 now, or could be offered it, let's say, during a certain period of time. To me that would be a relevant test of whether it makes a difference in work incentives. Right now the way the SSA evaluation is being conducted it is not adequate. That's why I favor the GAO study, because I think they will be in a position to ask the right questions if they have a program to really evaluate.

I want to point out some of the advantages of the 2030 legislation. It addresses some of the weaknesses in the existing 1619 program.

Mr. WILLIAMS. Mr. Griss, your time has expired. Let me give you an additional 2 minutes and ask you to summarize your remaining remarks.

Mr. GRISS. Thank you, Mr. Chairman.

[Pause.]

Mr. GRISS. I guess I don't want to use my 2 minutes thinking so let me try to talk and think at the same time.

Mr. WILLIAMS. We won't start the clock ticking until you start talking and stop thinking. [Laughter.]

Mr. GRISS. OK. I would like to say a few things in 2 minutes.

One is that a lot of people left the Social Security system without knowing that 1619 existed. I think that if there was retroactive eligiblity for those people who still met the Medicaid requirements, it would show some good faith effort on the Social Security Adminis-

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tration's part to provide a service that really would support individuals while they are trying to work. I think the particular idea of strengthening 2030 ought to be considered.

I think that we also should look at how the Social Security Administration at the local level can relate to the existing rehabilitation system much better. Maybe there ought to be some specialists in the local office who really understand the 1619 program and can work on developing individualized plans for helping people get off. That's what is really needed.

The criteria for an effective work incentive would be security, stability, and parity—parity with some of the work incentives that the blind have, for example. It is not an accident that twice as many blind SSI recipients are working as SSI recipients who are not blind. If we want to get people off the rolls, let's provide the incentives. I think we have some good precedents. I would like to see the SSA waiver authority used to really test some new programs.

The SSA reports—and this is my last page—that raising the SGA level does not increase work activity. But it has never been raised high enough for a person to meet their basic needs, much less for a person with disabilities to pay for the extraordinary disability-related expenses that they face.

The problem is not that the Social Security System penalizes a person in the short run by withdrawing needed benefits while the person is working. But that in the future, should the person become unemployed again, or has a deterioration in their health condition, they may not be able to requalify in time, or they may not be able to qualify at all if a political decision is made that they are no longer considered disabled because they demonstrated that they can work.

It is not that disabled people prefer leisure over work as economic models have a tendency to project. Rather people with disabilities, their families, and rehabilitation counselors, know that they will need health care and various supports even when they work. A permanent disability does not go away when one begins to earn $300 a month.

Is there any wonder that only 13.9 percent of working age persons with severe disabilities enter the work force? We need a public policy that is committed to enabling persons with disabilities to be able to work. Many cannot afford to work now, not because they are lazy, but because they need basic supports. And the law says that if you earn over SGA you are not disabled.

Your support for H.R. 2030 can send an important message to the Ways and Means Committee and to Congress that you affirm the value of work for all people in our society.

Thank you.

Mr. WILLIAMS. Thank you very much.

[Prepared statement of Bob Griss follows:]

STATEMENT OF BOB GRISS SUBMITTED ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES TASK FORCE ON EMPLOYMENT, MEDICAID AND SOCIAL SECURITY

American Association on Mental Deficiency, American Speech-Language-Hearing Association, Association for Retarded Citizens/United States Conference of Educa-

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tional Administration, Convention of American Instructors of the Deaf, Epilepsy Foundation of America, Good Will Industries of America, Inc., National Association of Mentally Ill, National Asscciation of Private Residential Facilities for the Mentally Retarded, National Association of Protection and Advocacy Systems, National Association of Rehabilition Facilities, National Association of State Mental Retardation Program Directors, National Council of Rehabilitation Educators, National Easter Seal Society, National Head Injury Foundation, National Mental Health Association, National Rehabilitation Association, National Society for Autistic Children and Adults, and United Cerebral Palsy Association, Inc.

Thank you for the opportunity to testify before the Subcommittee today. My name is Bob Griss. I work in Wisconsin's Department of Health and Social Services.

The 19 national organizations whom I represent are grateful to Representative Bartlett for intorducing H.R. 2030 to make the Section 1619 demonstration program of the Social Security Act permanent, and we are grateful to the Subcommittee for holding a hearing on this legislation which we strongly support. It is very important to persons with severe disabilities.

Section 1619 was first authorized by the "Disability Amendments of 1980" (P.L. 96-265) for three years and extended through June 30, 1987, by the "Social Security Disability Reform Amendments of 1984". Its allows severely disabled SSI recipients to continue to receive some cash benefits and Medicaid services even though they are able to engage in substantial gainful activities (SGA), (which under current regulations involves the ability to earn $300 or more per month). Without Section 1619 provisions, many persons with disabilities cannot afford to work because their limited incomes will not cover their necessary medical expenses. Young people with severe disabilities have been educated in pubiic schools as a result of the enactment of P.L. 94-142, the "Education for all Handicapped Children Act", which this year celebrates it tenth birthday. These young people are willing and able to work. They want to become independent, productive citizens, but they often cannot qualify for health insurance coverage due to the extent of their medical needs, so they are forced to remain on SSI rolls. It is extremely unfortunate that persons with severe disabilities are forced to make a decision that they cannot afford to work and must stay on the disability rolls.

Guy is a young man in his 20's who is mildly retarded and has some physical disabilities. He has worked as a clerk at a local UCP program for two years and is punctual, dependable and does his work well. He could be earning at least minimum wage in competitive employment, but he cannot afford to lose his group home status nor the medical services covered by Medicaid. Thus, he works for only $50 every two weeks which is the maximum he can earn before his benefits begin to decrease. Section 1619 offers a solution to this dilemma. It is a profitable solution for persons with disabilities and it is cost-effective for the federal government.

The Social Security Administration informs us that only about 5,000 persons have been able to utilize this program since its inception. There are two major reasons why people have not made use of this demonstration program: 1) lack of publicity—counselors, service providers and persons with disabilities have not known about the program and how it will help; and, 2) the provision is not permanent and people fear losing needed benefits when the program is discontinued.

The lack of publicity was addressed in P.L. 98-460, the recent extension of Section 1619. The Social Security Administration is required by that law to publicize the program more effectively. As a result, SSA is now doing a much better job of making both disabled persons and their advocates aware of the availability of continued benefits and in training Social Security staff and consultants so they understand the provisions of the program. More action, however, is needed. H.R. 2030 requires SSA to notify an SSI recipient about the possibilities of continued benefits twice: once at the time of the initial benefit award and again when an individual's income is $200 or more per month. This would be very helpful, but special consideration should also be given to adding in the bill or in report language a requirement that the notice be worded so that persons with mental impairments can understand it.

The permanency of Section 1619 (Title I) is the most important provision of H.R. 2030. Many people are afraid to try a program that is of limited duration. Parents may be afraid to have their adult children try to work if they are not certain that the program will continue. They wonder what would happen if their adult disabled child were declared ineligible for SSI and Medicaid benefits after the pilot program ended. And what will happen when the parents can no longer help to support their son or daughter? There must be stability and security in the program before people will feel that they can make the important step toward independence by getting a job that pays more than SGA. Permanency in the program will benefit everyone in-

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volved. The federal government will benefit because disability costs will be reduced and more persons with disabilities will be tax paying citizens. Disabled people will benefit because they will have increased income and improved self-esteem. CCDD strongly endorses the provision of H.R. 2030 to make section 1619 permanent.

Titles II and III of H.R. 2030 address the employment and rehabilitation needs of Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) recipients. This emphasis is most appropriate.

Title II of H.R. 2030 would amend Title VI of the Rehabilitation Act of 1973 to require the Secretary of Education through the Commissioner of Rehabilitation Services (RSA) to establish a grant program to assist employers in planning, implementing, operating, expanding and evaluating retention and reemployment demonstration programs for workers with disabilities. Title III would require RSA to establish a grant program to assist states in demonstration programs to "promote, identify, secure, and evaluate employment" for persons on the disability rolls. We are in complete accord with the goals of these provisions and hope that our comments will help to achieve those goals. However, we have several reservations about the approaches taken to achieve these goals in H.R. 2030.

It should be noted that another program under Title VI of the Rehabilitation Act, Projects With Industry (PWI), has goals similar to those expressed in H.R. 2030, and is already in existence. Under this program, RSA is authorized to contract with businesses, state agencies, labor unions, and nonprofit agencies for projects designed to prepare disabled individuals for gainful employment. These projects provide training, placement, and employment-related services to handicapped workers in a private employment environment. PWI has been a successful placement program for over 15 years and studies have indicated that a major reason for its success has been its flexibility. We are concerned that the addition of the provisions of H.R. 2030 would represent an unwarranted departure from the current PWI program and might create some inflexibility and a competition for dollars. Why not just put more money into the existing program?

We are also concerned because PWI standards have been established and a survey to thoroughly evaluate all existing PWI projects as mandated by the "Rehabilitation Amendments of 1984" (P.L. 98-221) is underway. The results of this survey are to be presented in a report to Congress by February 1, 1986. Making major changes in PWI now would be premature in light of the upcoming evaluation.

An alternative to Titles II and III of H.R. 2030, which could accomplish much the same purpose, would be to utilize the existing demonstration authority under the Social Security Act which is intended to test various means of rehabilitating SSI and SSDI recipients and getting them to work. Under this authority, SSA may waive a variety of statutory requirements to test the impact on rehabilitatin and employment of SSDI recipients. This authority was extended by the House for five years in H.R. 2005, and is part of the pending Senate Reconciliation bill (S. 1730) which is now before Congress.

There is also a need to reestablish a meaningful rehabilitation program for SSI and SSDI recipients. The 1981 Budget Reconciliation Act (P.L. 97-35) revamped the Beneficiary Rehabilitation Program with the result that there is little incentive for state agencies or rehabilitation facilities to provide services to this particular population. Prior to 1981, $124 million was set aside for rehabilitation services to SSI and SSDI recipients. Now only about $6.3 million a year goes to rehabilitate these groups.

We commend your leadership in striving to make Section 1619 permanent. Thank you for bringing all of these vital issues for persons with disabilities to Congressional and public attention. We also thank you for taking our concerns about Titles II and III of H.R. 2030 into consideration.

Mr. WILLIAMS. Joining us is the ranking member of the full House Education and Labor Committee, Mr. Jeffords. And I note that our next witness is from Vermont and thought that perhaps Congressman Jeffords would want to introduce him.

Mr. JEFFORDS. Thank you very much. It is a pleasure to have you here, Mr. Ashe. I know that you have done an excellent job with the project transition. I looked at your statement and I know you have some very valuable testimony. I also know of your work with the Washington County Mental Health. Thank you for coming. Please proceed.

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Mr. ASHE. Thank you, Mr. Jeffords, Mr. Chairman, and members of this committee.

What I would like to do is to summarize some of the points that I think are important from my written testimony rather than go through the entire document. In the time remaining, I would like to comment on a couple of things which I didn't include in my written testimony which the discussion has caused me to think about a little bit. I do have some opinions on them, particularly the SGA.

First of all, I probably have a more limited focus here than some of the other witnesses, in that, the persons that I work with are persons whose label is mental retardation. In terms of the numbers of people or the types of disabilities, the kind of people that I work with are all individuals who are labeled as mentally retarded.

Consequently, they are also the people, because of the service system structure we have available in our country to individuals with that particular disability, who are long-term users of Social Security funds—and in most cases, supplemental security income, and Medicaid.

I would like to take a little bit of a departure from the direction of some of the other testimony to talk briefly about some of the other advantages that I think are very, very important when someone who is dependent on Medicaid benefits is able to enter the employment market and link that to H.R. 2030. Most particularly, to section 1619, which I feel is absolutely critical. I feel that the particular group of persons that we are involved with are persons who are making use of that.

In order to explain my particular interest a little bit more clearly, I feel it necessary to digress a moment to talk about who the typical person is that I am involved with. I work with persons who are labeled as mentally retarded, a condition that is a permanent disability.

What we try to do is assist those individuals in becoming gainfully employed within the competitive marketplace. The typical person that I am involved with is 27 years of age, is labeled as moderately mentally retarded and in Vermont, happens to still reside, ordinarily, within his or her natural family. This individual has essentially no work experience whatsoever, except for what may have been provided through a special education program. This is an SSI recipient who is receiving cash payments somewhere in the range of $300 per month, and, in our case, is eligible usually to attend a day treatment program which is also funded by Medicaid.

I think one of the things that we have to look at when we talk about the advantages of encouraging work and to remove disincentives to work are the other savings that occur as a function of work.

In Vermont, the particular day treatment programs that persons are eligible to attend, they attend at the rate of $20 per day. That is a Medicaid reimbursement fee. Also in our State, because it has considerable rural topography, individuals are resorting to various kinds of specialized transportation which ordinarily is also Medicaid funded. The combined value of that cost per person to keep an individual in a day treatment program roughly is $7,000 per person, per year.

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When you have someone employed there is a tremendous impact, not only in terms of the value that this individual now has a function of being employed, but also on the rest of the system that's trying to support a number of individuals. Immediately what happens, is that $20 a day that was paying for that person to go to day treatment program, either terminates or shifts to fund someone else who may not be involved in any services. Because what we do is intensive job development and training, we are developing jobs where people can get to work so they don't have to rely on public or Medicaid-funded transportation.

Initially the costs of the training are relatively high but when you have a 64-percent success rate over a long period of time, those benefits are easily offset. When you consider this only in terms of one individual, the amount of money that is being saved really is not all that staggering. Yet, even if you look at the small number of people that we have been working with in our one single situation, I think the impact becomes much more significant.

Since April 1980, we have assisted 46 individuals with mental retardation in becoming employed. At the rate of $20 per day, if they had attended the day treatment program, the costs of that day treatment program for those persons would have been in excess of $330,000. That figure in and of itself is almost equal to the total expenditure that it has taken to fund the program that has assisted them in becoming employed.

The cash benefits portion of their SSI has been reduced by almost $32,000. They have earned in wages over $286,000, which means that now, instead of depending upon their society totally for their care, they have become for the first time capable of an indigenous capability of supporting themselves rather than being necessarily supported by others.

Interestingly, and I don't think about this a lot, but when someone who is working, whether they are handicapped or not, works, they pay taxes. These people have paid almost $33,000 in taxes during the time they have been employed.

How does this relate to H.R. 2030? Congressman Bartlett, in his introductory remarks, which I have had a chance to review and I think are excellent, described one of the chief barriers to employment as that being the absence of medical benefits. I can tell you today that while there may be a lot of confusion as to the effectiveness of 1619 in Washington, there is not much confusion in terms of the benefits of 1619 in central Vermont. These are individuals who would not have become employed, by and large, if 1619 was not there. If they had to lose their medical benefits, their family members would not have allowed them to become employed. If 1619 ends, chances are that some of those jobs are going to end, because these are people that are without any capability of supporting themselves in terms of the medical insurance.

Of those 67 different positions that these 46 persons have occupied, only 19 percent of those positions have included any health benefits; and of that number, only 19 percent have had full benefits. Eighty-one percent of the positions that people have gone into have had no benefits whatsoever. The only protection against health-related costs that these individuals have are the benefits associated with 1619.

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Now, I don't have time this afternoon but I could talk a little bit at some point about the effect of when someone who is on SSDI comes to our program. Someone who is on SSDI does not have the same protections, and that individual is being, probably by their parents in most cases, prevented from working above that amount of money which would be considered SGA.

In terms of the SGA—I think that I need to make an important distinction here—substantial gainful employment, or the earnings test, as I understand it, is intended to assist in screening to determine whether or not an individual has the capability of becoming gainfully employed.

In our particular case, the people that we are working with are persons who, without the specialized training services such as we provide, would not become employed. When they do become employed, they become employed to an expectation level that an employer would feel would be necessary for someone who was not handicapped.

What happens then is an individual who is retarded, who doesn't have the ability to locate a position all by themselves and can't learn the job without assistance, earns above SGA. That individual loses their job because the business goes out of business, or they change positions for a lot of different reasons, things like that happen. They have had now an experience of earning above $300. They have had an experience of being considered as capable of earning above that limit.

However, they would not be able to get another position without the benefit of the kind of program that we provide because they don't generalize the technical learning from one situation to another. Consequently, the means for them becoming employed is the program in the specialized training. So if we are not there, if we aren't funded, if we are not in existence anymore, or for some other reason are not capable of providing a response, you have an individual who now has had an activity of working above SGA who cannot get another job. But that income test is used to determine their work potential in the future.

In that particular instance and for most of the individuals that I work with, SGA is an invalid measure in terms of making those kinds of judgments.

The transitional work that has been just mentioned previously is an effort of trying to get people out of school. We work with the school systems to try and get people to move directly into employment rather than having them go through sheltered workshop programs. If we have an individual who has never been on SSI due to the manner in which they are referred to us and we place them into a competitive job, they are now in a situation where they have had substantial gainful activity as defined by the $300 level without ever being on SSI. If they lose their job for the same reasons, they are in a very difficult situation. They are placed in jeopardy.

In terms of the extension, I would encourage strongly the adoption of this particular piece of legislation and most particularly the clauses around 1619. It is an absolutely critical component if we are going to continue to be able to succeed with individuals who are mentally retarded in gaining employment.

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If 1619 expires in June 1987, the effectiveness of our program will expire right along with it. Many of the individuals who we have been able to assist in employment now will be considered at very, very heavy risk and will probably leave their employment.

The second thing that I would encourage is a study on the SGA itself. I do not believe that it is a valid measure. I do not think that it can be used ever with the population that I am concerned about and work with to determine whether or not they have work potential.

I would strongly encourage that instead of SGA that we look at at classification of permanent disability. There are many people that are permanently disabled. Their eligibility under this section should be based on their disability and not on an income test. I think that would be a very helpful change. I think that would remove a major barrier to the employment of this population.

This concludes the summary of my comments. I thank you for the opportunity to speak to this committee and would look forward to answering any questions that any members may have.

Thank you.

[The prepared statement of William H. Ashe follows:]

PREPARED STATEMENT OF WILLIAM H. ASHE, DIRECTOR, ADULT DEVELOPMENTAL DISABILITIES PROGRAM, WASHINGTON COUNTY MENTAL HEALTH SERVICES, INC., BARRE, VT

Mr. Chairman, it is indeed my privilege to have been invited here today to speak on behalf of H.R. 2030. As you know this proposed legislation has, among its purposes, the intention of improving the provisions of section 1619 of the Social Security Act by making permanent regulations that allow for the continued payment of SSI benefits to persons who are disabled even when their earnings exceed the monthly amount considered as substantial gainful activity. Beyond this, H.R. 2030 would also accomplish three additional objectives. First, would require that a SSI recipient be notified about his/her eligibility under section 1619 when that individual first becomes a recipient, as well as when that person's income exceeds $200.00 per month. Second, it would encourage employers to become directly involved in the retraining of employees who have become disabled by establishing a demonstration grant program, and third, through the creation of a demonstration grant program, states would be encouraged to assist in the development of employment opportunities for SSI and SSDI recipients within their respective areas.

As I have for the past five years been the director of Project Transition, a program specifically designed to place individuals who are labeled as mentally retarded and severely disabled into competitive employment opportunities within Central Vermont. I am qualified to speak on behalf of this legislation. In this capacity I have considerable direct experience with the problems as well as the benefits resulting from the employment of this population. As my current position also includes the management of a large number of residential alternatives, I can speak equally well to the impact of SSI regulations on the home life of a disabled person who becomes employed. I am strongly committed to the concept of employment, and am greatly encouraged by the attention this committee is giving to this important matter.

The theme that all persons, irrespective of their disability, should be encouraged to become as independent as their capabilities will allow, is unlikely to spawn much controversy. Similarly, having a goal to reduce dependency on government programs through the development of an indigenous capability to depend on ones own self, is equally uncontroversial. As these are the primary objectives of this legislation, it would appear, therefore, that major debate relative to H.R. 2030 will focus on means rather than ends. Few would argue that long term total dependency on government services are in anyone's best interest, provided that legitimate options to such dependency are, in fact, available. H.R. 2030 proposes such options, and this testimony will, hopefully, help inform this committee as to the appropriateness of these options.

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Perhaps the best way for me to proceed is to provide a description of the typical person we assist in becoming employed.

This typical individual is 27 years of age, is functioning within the moderate to mild ranges of mental retardation, probably still resides within the natural home, and has no real work experience beyond that which may have been offered within a high school special education program. In terms of service options, this person is eligible to attend a day treatment program offered through the local mental health agency which is funded through medicaid. This typical individual would be a SSI recipient, meaning that this person would be receiving cash payments in the general range of $300 per month. Beyond this payment, if this person attended the day treatment center medicaid would pay for this program at the rate of $20.00 per day. On an annualized basis, this would amount to an expenditure of nearly $5,000.00. As a result of Vermont's rural topography, this typical person would require specialized transportation in order to get to and from the day treatment center. Transportation services would also be paid for by medicaid at an additional yearly cost of approximately $2,000.00. As a day treatment program rarely prepares an individual for employment, all of the expenses listed above for this individual would ordinarily be repeated year after year without any expectation of lessening. Fortunately, in our case we have a program specifically designed to assist this typical person to become employed.

One of the most direct effects of employment is the immediate discontinuance of medicaid funding for support of the day treatment center program, as well as for special transportation services which this individual may have been receiving. A secondary effect is the gradual reduction of the cash benefit portion of the SSI benefits that this typical person was receiving. The amount of cash benefits declines as a function of employment, which in many cases means the cash payments are entirely offset by the earning power which this individual has developed. Consequently, the initially high costs of training this typical individual to perform meaningful work at the standards expected by the competitive workplace is more than offset by clear savings in public benefits.

Looking at these benefits from the perspective of a single individual may not be terribly dramatic. However, when considered within the context of a larger number of persons, the effects of employment on the level of government assistance becomes more meaningful. In the case of our single program in Central Vermont, the following can be documented.

Since April of 1980, we have assisted 46 different individuals in becoming employed. Had these persons participated in the day treatment center which was available to them at the rate of $20.00 per day, rather than working in a competitive job, it would have cost $330,890 in medicaid reimbursements. That figure in and of itself is nearly equal to the total cost of the job placement program which assisted them in becoming employed. In addition to this obvious benefit, the cash payment portion of these workers' SSI benefits have been reduced by $31,577 as a result of this increased earning power. Beyond these direct savings, however, these individuals have been offered the opportunity to participate fully in our economy, rather than continuing to depend on that economy because of the participation of others. In fact, these 46 persons have earned within the competitive job market $286,757 in wages, and have contributed taxes from these earnings in the amount of $32,977. Without question, these persons have moved from a position of nearly total dependency on government sponsored programs, to one of being largely independent of government for their existance. The quality of their life has clearly improved through their ability to participate in the world of work, and their need to rely on continued government support has been minimized.

While few would argue the merits of dependency over independency, a legitimate question is, what does the above accomplishments have to do with H.R. 2030? Congressman Bartlett in his introductory remarks described several barriers to employment. Chief among those barriers, the congressman reported the lack of access to permanent medical benefits as being the largest obstacle for a disabled person to overcome. I cannot sufficiently underscore this observation. In Central Vermont the 46 persons mention previously, have been employed in 67 different work sites. Of these 67 different positions only 19% have had any medical benefits offered by the employer, and only 10% have had full benefits. This means that 81% of the positions held by these persons in the Central Vermont area have not included medical coverage of any kind. As I look at data from other programs throughout the United States, I have come to believe that the Vermont experience in this respect is a national phenomenon. Fortunately, section 1619 has protected (in Vermont's case as in most states) the health benefits of these persons from being adversely affected by their earnings. In this case, section 1619 has without question functioned as a incen-

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tive to employment rather than as a disincentive. Our work with parents continually underscores the need for health benefits to be continued in order for them to consider employment as an option for their son or daughter. While someone who is retarded is not any more likely to use health insurance than would someone who is not retarded, the thought of losing this type of protection given the tremendously high cost of health care in general, is a risk they are not willing to take. Consequently, should section 1619 expire as scheduled in June of 1987, the ability of programs such as ours to assist persons with severe disabilities to become substantially employed will all but expire along with the regulation.

A second important aspect of H.R. 2030 is the requirement that the Secretary notify an individual of their eligibility under section 1619 on two occasions, the first notification occurring at the time of the initial award of benefits, and the second when earned income in a single month exceeds $200.00. This requirement for notification will facilitate H.R. 2030's implementation by ensuring that recipients understand their rights under the regulation. As Congressman Bartlett has correctly articulated, one of the chief barriers to employment is the belief by the person who is disabled (or the parent/guardian of this person) that employment will jeopardize health benefits under the medicaid program. In order to overcome this barrier, it is necessary that the recipient be informed that earnings will not jeopardize the health portion of their medicaid benefits. The removal of the reasons for the current fear will encourage many persons to seek employment. At present, a major concern is with the temporary nature of section 1619. As the regulation is made permanent, this important change will need to be communicated to recipients. Secondly, even though section 1619 currently protects a recipient's health benefits, many recipients do not have a full understanding of these protections. As it is the worry over health benefits which is a fundamental barrier to employment, the notification requirement will only serve to enhance 1619's effectiveness.

Lastly, H.R. 2030 seeks to establish two demonstration programs, the first intended to stimulate interest by employers to provide for job restructuring and retraining in order to encourage the re-employment of persons who have become disabled. The second is to assist states to identify appropriate job opportunities for persons with disabilities and to provide on-the-job assistance in order for them to become successful in the employment community. As successful demonstrations are prerequisite to long term acceptance, both of these components of H.R. 2030 are essential aspects of the long term policy of enhancing employment opportunities for persons with disabilities.

We are on the verge of substantially changing the service delivery structure for persons who are labeled as mentally retarded. Programs such as the one I am involved with in Vermont have demonstrated that persons who are severely disabled can learn to perform the duties of many competitive positions providing that they receive assistance with the processes of job finding, job restructuring, on-the-job training and follow along services. As discussed earlier, the initially high costs associated with the placement process are more than offset by societal savings. Although in our case it has required as much as 370 hours of intensive training before a trainee has been able to learn the demands of a competitive position to the expectations of an employer, this effort has been more than justified by the change in the trainee's life as a function of employment. So many persons who are disabled do not participate in the world of work because of the lack of relevant opportunity made available to them through the existing service delivery systems. These are people who want to work, and when given the opportunity, and the supports necessary to be successful, they become competent and stable members of the employment community. The demonstration initiatives proposed in H.R. 2030 are the types of initiatives designed to confront the system problems which currently impede the participation of many persons with severe disabilities in the work community.

Most persons with severe disabilities want to be as independent from government supports as possible. H.R. 2030 attempts to facilitate this independence by removing some of the barriers which currently impede employment. In our experience in Vermont, section 1619 has been a major reason for the success of so many persons in competitive job sites. It is imperative, therefore, that this section of the Social Security Act be made permanent. Beyond this, however, is the systems issue of changing the service delivery orientation from its current posture to an integrated employment orientation. H.R. 2030 provides through demonstration incentives which will drive important systems change. The documented financial savings from our single small program in Vermont, if magnified by many such efforts nationally, would have a tremendous impact on both the fiscal structure of existing service delivery models, as well as on the improvement in the quality of life for many persons who now depend so totally on government for their very existance. H.R. 2030 through its

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attention to the permanency of section 1619, and through its recognition of the need for innovative demonstration is an important stride forward in the process of investing in the person with disabilities. These are people who want to work. They are also persons who can be extremely competent in valued community occupations. In this regard, H.R. 2030 is a major piece of enabling legislation and I strongly urge its adoption.

Mr. BARTLETT [presiding]. Thank you very much, Mr. Ashe.

Our next witness and we are very pleased to have with us today, James Geletka, the director of special projects for the Electronic Industries Foundation, representing the Electronic Industries Foundation. Mr. Geletka.

Mr. GELETKA. Thank you, Mr. Bartlett, Mr. Jeffords.

The foundation manages and operates several programs which are designed to apply the resources and talents of the electronic industries to issues of national concern. These projects include a Rehabilitation Engineering Center on behalf of the National Institute of Handicapped Research designed to improve the commercial availability of assistive products for disabled people; a youth project with the District of Columbia schools to train minority youth for employment as electronic technicians; a demonstration project supported in part by the Social Security Administration to provide SSDI beneficiaries with opportunities for competitive employment; and a project with industry sponsored by the Rehabilitation Services Administration and the Department of Labor to facilitate the competitive employment of persons with disabilities.

Since 1977 this PWI project has assisted over 3,500 disabled persons with job placement at salaries ranging from minimum wage to $42,600 per year for an engineering manager.

My purpose today is to provide the subcommittee with testimony relating to H.R. 2030 referred to as the Employment Opportunities for Disabled Americans Act. Of the three titles comprising the bill, let me say at the outset that we are entirely in support of title I. With respect to titles II and III, while we are in complete agreement with the purposes and intent of the proposed statute, we are, nevertheless, concerned about the timing, duplication of existing legislative authorities, and certain aspects of design.

Title II proposes a new program of grants to employers, which includes employer organizations and consortiums and State and local governments, to assist them in implementing retention and reemployment programs for disabled workers. We have identified several problems with this title, which I would like to share with the subcommittee today.

First, private employers are not generally interested in becoming grantees of the Department of Education and are not likely to even read the Federal Register announcing the availability of such grants.

In addition, private employers, we found, unfortunately, are more likely than public agencies to be apprehensive of interference by the Federal Government. Regarding State and local government employers, it seems to us that established agencies, such as the State vocational rehabilitation agencies, should retain the responsibility for encouraging the retention and reemployment of disabled persons within their own State organizations.

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Second, major employers would likely be the candidates for the proposed grants; however, they already have retention and reemployment programs for their employees. Industrial medicine and employee health programs and the resulting benefits to the employers are well known to private industry.

These grants, as presently proposed, seemingly could be used to subsidize existing programs which are already being operated by the employer as a matter of personnel policy. It is the disabled person who is not covered or does not qualify for an employer retention and reemployment program who needs assistance and should be targeted to benefit from the limited dollars available.

Third, the proposed title II duplicates the present authority for the successful Projects With Industry Program under title VI of the Rehabilitation Act. If the Department of Education were to establish priorities under the present PWI Program, it could accomplish substantially the same purposes desired in title II.

In accordance with departmental policies, it could provide the public, including employers, an opportunity to comment on the proposed priorities. Similarly, the Department could eliminate any requirement for State certification of eligibility by developing any desired regulations under current legislation.

Fourth, title II proposes to establish three separate grant programs: planning grants, implementation or expansion grants, and evaluation grants. Our experience at EIF indicates that planning, implementation and evaluation should be integrated as components of one project.

The specifications for implementation grants on page 11 of the bill, require only that the employer describe and outline a program, without any specific requirement to employ or retain disabled people. This may be interpreted by some to be an invitation for a grantee simply to describe a presently operating personnel program.

Fifth and last, new amendments to the Projects With Industry Programs should await the results of the comprehensive evaluation of this program mandated by the 1984 amendments to the Rehabilitation Act.

This evaluation, now being conducted by the highly capable Policy Studies Associates, is scheduled for completion next year, in sufficient time for the hearings on the reauthorization of the Rehabilitation Act. We strongly recommend that no changes be made in the PWI Program until Congress has had an opportunity to review findings of this comprehensive evaluation.

It is our belief that the present PWI Program is a most successful placement program, although it is still functioning at an extremely low support level. PWI has placed over 100,000 people with disabilities through a network consisting of more than 10,000 corporations, businesses, trade associations, labor unions, and rehabilitation facilities.

These workers are now earning more than $1 billion annually and paying approximately $200 million in taxes each year. PWI introduces the concepts of competition, productivity, cost effectiveness, marketing, technology, and training programs tailored to meet the priorities of the marketplace.

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Since this program has significant implications for the entire field of rehabilitation, we are looking forward to the results of the independent, comprehensive evaluation mandated by Congress.

Title III of H.R. 2030 proposes to establish a grant program under title VI of the Rehabilitation Act to assist States in operating demonstration programs to secure employment opportunities for SSI and SSDI beneficiaries.

My previous comments relating to the current authority to establish priorities under the existing PWI Program also apply to this proposal. The authority is presently in place and the Rehabilitation Act has already been amended to make States eligible under the Projects With Industry Program.

In addition, there are a number of other existing authorities that may be utilized for this purpose. State VR agencies, for example, can serve eligible SSDI and SSI beneficiaries under the basic rehabilitation program authorized under title I of the Rehabilitation Act.

Also, State rehabilitation agencies can be reimbursed from the Social Security Trust Fund for 100 percent of the costs of providing services for successful placements of SSDI and SSI beneficiaries under section 222 of the Social Security Act, as amended by the Omnibus Budget and Reconciliation Act of 1981.

Another provision, section 505 of the 1980 amendments to the Social Security Act, authorized such demonstration projects for the 5-year period ending June 1985 which, we understand, is being considered for extension by the Ways and Means Committee. Section 1110 of the Social Security Act also authorizes research and demonstration projects for this purpose. I might add, as Commissioner Owens mentioned earlier, that EIF is conducting a project under this authority, which is now under way in five locations around the country. This project uses the PWI methodology, and while only in its early stages, has placed over 40 persons already in competitive employment.

With regard to the specifics governing the use and allocation of funds, the proposed percentages on page 17 of the bill may appear to unduly complicate the administration of the grant program. Since the intent is to establish demonstration programs, it might be advisable to establish cost limitations by category only after the results of such programs have been evaluated. Innovation, flexibility, and creativity should be the tools for demonstrating more effective methods of getting the job done and fulfilling the legislative mission.

The proposed allocation of funds under section 643(b) on page 17 of the bill also appears to be unfair to some States. If undue consideration is given to the greatest number of beneficiaries, the rural, Western, and other less populated States might not receive their fair share of projects, nor have the opportunity to exercise their initiative and ingenuity.

Finally, the proposed payment of health care insurance would duplicate the Medicare and Medicaid Program for which these beneficiaries are eligible. SSDI beneficiaries who return to work, under existing law, are already entitled to Medicare for 3 years, which is the same length of time as the maximum duration of these projects under the proposed section 641(c).

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So for these reasons, while we are extremely sympathetic to the general purposes of titles II and III of H.R. 2030, we are concerned about certain components discussed in this testimony. Finally, we recommend delaying any action until the results of the comprehensive evaluation mandated by the Congress are completed.

In summary, we are pleased that the subcommittee is addressing this problem area and is endeavoring to improve the potential employability of disabled people.

I might add parenthetically, that only 2 weeks ago I had the opportunity of hearing the chairman at the National Rehabilitation Association, at which time he talked about the great genius of America. One of the beliefs which he articulated at that time was that American people believe that none of us will be free until all of us are free. It made an impact on me and I believe this legislation speaks to that purpose. However, for the reasons that we have cited, we have some reservations.

I appreciate the opportunity to testify on this issue, and I will be pleased to also answer any questions that you have.

[Prepared statement of James R. Geletka follows:]

PREPARED STATEMENT OF JAMES R. GELETKA, DIRECTOR OF SPECIAL PROJECTS, ELECTRONIC INDUSTRIES FOUNDATION, WASHINGTON, DC

Mr. Chairman, my name is James Geletka. I am representing the Electronic Industries Foundation located at 1901 Pennsylvania Avenue, NW; Washington, DC where I am director of Special Projects. Prior to joining EIF, I was director of education for the National Association of Rehabilitation Facilities and a consultant on facility development and management issues.

The Foundation manages and operates several programs which are designed to apply the resources and talents of the electronic industries to issues of national concern. These projects include a Rehabilitation Engineering Center on behalf of the National Institute of Handicapped Research to improve the commercial availability of assistive products for disabled people; a youth Project with the District of Columbia Public Schools to train minority youth for employment as electronic technicians; a demonstration project supported in part by the Social Security Administration to provide SSDI beneficiaries with opportunities for competitive employment; and a Project With Industry sponsored by the Rehabilitation Services Administration and the Department of Labor to facilitate the competitive employment of persons with disabilities. Since 1977 this PWI project has assisted over 3,500 disabled persons with job placement at salaries ranging from minimum wage to $42,600 per year for an engineering manager.

I have with me today several copies of our Foundation's most recent report which describes in greater detail the accomplishments of its first decade of operations. Copies are available for your information and for distribution to any interested persons.

My purpose today is to provide the Subcommittee with testimony relating to H.R. 2030 referred to as the "Employment Opportunities for Disabled Americans Act." Of the three titles comprising the Bill, let met say at the outset that we are entirely in support of Title I. With respect to Titles II and III, while we are in complete agreement with the purposes and intent of the proposed statute, we are nevertheless concerned about the timing, duplication of existing legislative authorities, and certain aspects of design.

TITLE II

Title II proposes a new program of grants to employers, which includes "employer organizations and consortiums and state and local governments," to assist them in implementing retention and reemployment programs for disabled workers. We have identified several problems with this Title, which I would like to share with the Committee today.

First, private employers are not generally interested in becoming grantees of the Department of Education and would not be likely to read the Federal Register announcing the availability of such grants. In addition, private employers, unfortu-

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nately, are more likely than public agencies to be apprehensive of interference by the Federal government. Regarding state and local government employers, it seems to us that established agencies, i.e., the State Vocational Rehabilitation Agencies, should retain the responsibility for encouraging the retention and reemployment of disabled persons within their own state organizations.

Second, major employers would likely be the candidates for the proposed grants; however, they already have retention and reemployment programs for their employees. Industrial medicine and employee health programs and the resulting benefits to the employers are well known to private industry. These grants, as presently proposed, seemingly could be used to subsidize existing programs which are already being operated by the employer as a matter of personnel policy. It is that disabled person who is not covered or does not qualify for an employer retention and reemployment program who needs assistance and should be targeted to benefit from the limited dollars available.

Third, the proposed Title II duplicates the present authority for the successful projects With Industry program under Title VI of the Rehabilitation Act. If the Department of Education were to establish priorities under the present PWI program, it could accomplish substantially the same purposes desired in Title II. In accordance with Departmental policies, it could provide the public, including employers, an opportunity to comment on the proposed priorities. Similarly, the Department could eliminate any requirement for state certification of eligibility by developing any desired regulations under current legislation.

Fourth, Title II proposes to establish three separate grant programs: planning grants, implementation or expansion grants, and evaluation grants. Our experience at EIF indicates that planning, implementation and evaluation should be integrated as components of one project. The specifications for implementation grants on page 11 of the Bill, require only that the employer describe and outline a program, without any specific requirement to employ or retain disabled people. This may be interpreted by some to be an invitation for a grantee simply to describe a presently operating personnel program.

Fifth and last, new amendments to the Projects With Industry program should await the results of the comprehensive evaluation of this program mandated by the 1984 amendments to the Rehabilitation Act. This evaluation, now being conducted by the highly capable Policy Studies Associates, is scheduled for completion early next year, in sufficient time for the hearings on the reauthorization of the Rehabilitation Act. We strongly recommend that no changes be made in the PWI program until Congress has had an opportunity to review the findings of this comprehensive evaluation.

It is our belief that the present PWI program is a most successful placement program, although it is still functioning at an extremely low support level. PWI has placed over 100,000 disabled people through a network consisting of more than 10,000 corporations, businesses, trade associations, labor unions, and rehabilitation facilities. These workers are now earning more than $1 billion dollars annually and paying approximately $200 million dollars in taxes each year. PWI introduces the concepts of competition, productivity, cost efectiveness, marketing, technology, and training programs tailored to meet the priorities of the marketplace. Since this program has significant implications for the entire field of rehabilitation, we are looking forward to the results of the independent, comprehensive evaluation mandated by the Congress.

TITLE III

Title III of H.R. 2030 proposes to establish a grant program under Title VI of the Rehabilitation Act to assist States in operating demonstration programs to secure employment opportunities for SSI and SSDI beneficiaries. My previous comments relating to the current authority to establish priorities under the existing PWI program also apply to this proposal. The authority is presently in place and the Rehabilitation Act has already been amended to make states eligible under the Projects With Industry program.

In addition, there are a number of other existing authorities that may be utilized for this purpose. State VR agencies, for example, can serve eligible SSDI and SSI beneficiaries under the basic rehabilitation program authorized under Title I of the Rehabilitation Act. Also, State Rehabilitation agencies can be reimbursed from the Social Security Trust Fund for 100% of the costs of providing services for successful placements of SSDI and SSI beneficiaries under Section 222 of the Social Security Act as amended by the Omnibus Budget and Reconciliation Act of 1981. Another provision, Section 505 of the 1980 Amendments to the Social Security Act, author-

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ized such demonstration projects for the 5 years period ending June 1985 which, we understand, is being considered for extension by the Ways and Means Committee. Section 1110 of the Social Security Act also authorizes research and demonstration projects for this purpose.

With regard to the specifics governing the use and allocation of funds, the proposed percentages on page 17 of the Bill may appear to unduly complicate the administration of the grant program. Since the intent is to establish demonstration programs, it might be advisable to establish cost limitations by category only after the results of such programs have been evaluated. Innovation, flexibility, and creativity should be the tools for demonstrating more effective methods of getting the job done and fulfilling the legislative mission.

The proposed allocation of funds under Section 643(b) on page 17 of the Bill also appears to be unfair to some states. If undue consideration is given to the greatest number of beneficiaries, the rural, western and other less populated states might not receive their fair share of projects, nor have the opportunity to exercise their initiative and ingenuity.

Finally, the proposed payment of health care insurance would duplicate the Medicare and Medicaid program for which these beneficiaries are eligible. SSDI beneficiaries who return to work, under existing law, are already entitled to Medicare for three years which is the same length of time as the maximum duration of these projects under the proposed Section 641(c) (see page 15).

For these reasons, while we are sympathetic to the general purposes of Titles II and III of H.R. 2030, we are concerned about certain components discussed earlier in this testimony and finally, we recommend delaying any action until the results of the comprehensive evaluation mandated by the Congress are completed. In summary, we are pleased that the Subcommittee is addressing this problem area and is endeavoring to improve the potential employability of disabled people. I appreciate the opportunity to testify on this important issue, and I shall be pleased to answer any questions. Thank you.

Mr. WILLIAMS [presiding]. Thank you very much.

Mr. Jeffords, any questions?

Mr. JEFFORDS. Thank you, Mr. Chairman. First of all, I have a statement that I would like to put into the record at this point.

Mr. WILLIAMS. Please.

[Prepared statement of Hon. James Jeffords follows:]

PREPARED STATEMENT OF HON. JAMES JEFFORDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT

Mr. Chairman, I welcome this hearing on H.R. 2030, the Employment Opportunities for Disabled Americans Act. I have a strong personal interest in job training and employment-related legislation. When drafting both the Comprehensive Training and Employment Act and its successor, the Job Training Partnership Act, I made a special effort to ensure that persons with disabilities would have access to and benefit from training and employment opportunities created through these two statutes. Therefore, given the purposes of H.R. 2030, I was pleased to be an original co-sponsor of the bill.

Although estimates vary, the unemployment rate for disabled Americans of working age are unacceptable. Even conservative estimates exceed 50%. This hearing offers an opportunity to review barriers to employment for disabled persons, particularly access to health insurance.

I have read Mr. Ashe's testimony pertaining to the impact of section 1619 on employment opportunities for individuals with mental retardation living in rural Vermont. The evidence of the value of section 1619 is significant. The cost savings and revenue generated for the government are impressive by any standard and I am pleased that Mr. Ashe will have the opportunity to share the information with my colleagues.

I believe that H.R. 2030 represents the critical first step in addressing the full range of barriers to employment for the disabled. Moreover, it is balanced legislation which would create incentives for employers and service agencies to work together to create expanded employment options for disabled persons who are presently underrepresented in America's work force—SSI and SSDI recipients.

As a nation we cannot afford to limit anyone's access to employment. For the disabled being employed is much more than a paycheck. It represents the difference between dependence and independence, between vicarious observation and full par-

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ticipation, between taking and giving, and between accepting and choosing. Perhaps many of us take these things for granted, our disabled friends and neighbors do not. H.R. 2030 will provide many disabled Americans with new opportunities and in some instance the first opportunity to experience the dignity of risk.

Mr. JEFFORDS. I also would like to commend the author of this legislation for focusing attention on these problems.

Mr. Ashe, you mentioned that we ought to have another category of person: one who is permanently disabled and yet capable of employment with assistance. Would you elaborate a little bit on that, as to how you would do it in the statute?

Mr. ASHE. Certainly. I think that there are a number of individuals whose disability will require them to receive assistance over a very, very long time. Disabilities that are not going to be improved by what we know today. Perhaps in the future that will change. Certainly the people that I am involved with, persons who are retarded, are individuals who will require lifelong assistance of various kinds. To have them be continually reevaluated in terms of substantial gainful activity and have their benefits potentially jeopardized as a result of that kind of reevaluation, to me, places them in particular periodic risk, that is inappropriate. Because we know that these individuals are going to require assistance over a very long period of time, we should have a category of permanent disabled, that does not require that part of the reevaluation in order for the benefits to still be there, I think would remove a major barrier.

How it would be worded in legislation, I am not sure. But I believe that individuals who are disabled and are going to require that kind of assistance sometimes get employed as a result of programs like the one that I am involved in. The evaluation of substantial gainful activity is in part an evaluation of how good we are as a program, and is not a measure of whether or not the individual has an increased earning capability.

I think that is a very important distinction. As long as SGA is used in that fashion the disincentive is going to continue to be a very major barrier to employment of very many people.

Mr. JEFFORDS. Would other members of the panel like to comment on that? Do you agree or disagree?

Mr. GRISS. I think we are really talking about the depth of our commitment to enabling persons to work. Sure you can carve up the SSI and SSDI population into different groups and call some of them catastrophically disabled, and say only people who are catastrophically disabled would be eligible for the support services they need.

So, sure, then we will get more of those folks working and we will still have the problem of the majority of people on SSI and SSDI who are considered severely, chronically impaired. That means that disability is not likely to be changed throughout their life. They will still have very many disincentives to work.

Previous speakers have talked about the number of different types of barriers that exist. The Medicaid system happens to be the single most important way to deal with those barriers. In an ideal world one could develop other mechanisms but if you want to do one thing that minimizes, that overcomes, many of the barriers that most physically disabled people and developmentally disabled

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people face, I think the Medicaid system has that potential—if States are using the Medicaid plan the way they could.

But, sure, some people have, you know, ventilator dependency problems. They will definitely need 1619(a). Other people with mental retardation might not have the same need for the health care coverage but they will need, let's say, a place to live. And lots of residential services are funded through Medicaid—the ICFMR's.

We are talking about how best to provide the enabling services that people need to work. If we are serious about that, then I think we should make some important decisions. One could compromise in lots of ways, and certainly identifying a small group as the worthy ones and calling them catastrophically disabled would be one possible way to go.

Mr. JEFFORDS. Thank you.

Mr. GELETKA. I have nothing really to add to what my copanelists have said on that issue, and would defer to their knowledge which is much greater than mine.

Mr. JEFFORDS. Thank you, Mr. Chairman.

Mr. WILLIAMS. Mr. Bartlett.

Mr. BARTLETT. Thank you, Mr. Chairman.

You each said it in different ways, but I thought Mr. Griss perhaps most distinctly distilled the issue that we face in 1985, and that is, as you said in your testimony, there is no longer a distinction between those who can and cannot work.

I wonder if you would expand on that, and I wonder if the other two witnesses essentially would concur with that and what implications, then, for public policy, does that statement have. Perhaps, going on to some of the things that Mr. Ashe said, perhaps that what you are recommending is that we have the basic laws catch up with the realities of modern life. And that is, while there no doubt is statistically a group of individuals who will have a higher unemployment than others, it is perhaps no longer realistically to define disability as unable to work. Perhaps it should be more of a medical definition.

I wonder if the three of you would expand or comment on that as an approach?

Mr. ASHE. I think that I would agree with the comments that Mr. Griss made and your observations, Congressman. I think with what we know today in terms of just instruction, and again, I have to restate that I am looking at things maybe a little bit more focused because of the area of the population that I am concerned with. Given what we know today in terms of instructional techniques and methods of support systems, there are very few people who are labeled as mentally retarded who, in my honest opinion, cannot be employed.

I think that the distinction of people who are able to work and people who are unable to work is becoming less and less. The question is how do we support individuals in employment situations and provide them with the supports that are necessary in order for them to be successful. That is a very individualized application—very different people are going to require different levels of assistance at different times.

I would restate, there are very few people that I know of who are mentally retarded given the proper kinds of support would not be

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capable of working. If we had the ability, and this may be too much of a digression, but if we had the ability to utilize Medicaid funds in employment related services directly, we would be much more able to achieve employment outcomes than what we are presently able to achieve.

Mr. BARTLETT. Mr. Griss.

Mr. GRISS. I think that we are really facing a cultural lag problem. It is not just the Social Security laws. It's even the language that we use. I mean, we are talking about people with disabilities. I mean, in fact we are talking about people who are differently able to do many things if we provide accessibility; if we provide the support services that are needed; if we provide the technology that they need on the job.

I have a friend who does consulting in the technological—in jigging equipment—in employment places. Frequently he develops some adaptive equipment that suits the unique needs of a particular individual with disabilities that an employer is concerned about. When he comes back 6 months later to see what's happened, he discovers that that same technology is being used by all the able-bodied people in the plant, too, because it really made the job easier.

What we are talking about is enabling people to do the work that they can do. When wheelchairs are sold in car dealerships rather than in medical supply companies, we will know that disabled people are really considered part of us.

I flew here by plane, but I don't have any wings. I mean, it's all depending on the kind of technology that we have. We have the technology now. We just don't have the laws that allow people to use it.

Mr. BARTLETT. Mr. Geletka.

Mr. GELETKA. I would agree. Our own experience with the Electronic Industries Foundation under its Projects With Industry, and the Rehabilitation Engineering Center, clearly indicate that if jobs are accurately described by employers so that the rehabilitation training facility or the agency responsible for preparing the person with the disability can accurately know what the requirements of the job are, and if engineering assistance, technical assistance is available, to modify the job site in such a way as that disabled individual can accurately perform and sufficiently perform all of the tasks of the job, then almost any disabled individual can be productively employed.

The secret, of course, is in a successful coordination of all of those elements that need to take place. Now, that is where the failure, I think, takes place in the system currently. All of those elements are not in place. The possibility of putting them in place, however, does exist. It is a matter of making a major effort, supporting programs like Projects With Industry, which are underfunded now, and have the demonstrated potential to do a great deal more. Technical assistance, most certainly, needs to be improved considerably in order to meet the requirements of disabled people who need to have special equipment, adaptive equipment, or systems, in order to take their place in the job market.

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Mr. BARTLETT. Let me switch over to the issue which is the primary focus of the bill, of health benefits such as nondisabled persons obtained as a regular course of their employment.

Mr. Ashe, you testified that some 80 percent of the people you placed weren't able to get health care coverage without section 1619.

I think you all three heard prior witnesses that talked about a range of issues, and a range in different types of disincentives, and while that's true—without regard to the other disincentives or barriers to employment, do you put lack of availability or inaccessibility to health benefits in a special category; that is to say, without getting into the argument as to whether it's primary or secondary; is it a very effective barrier, lack of health benefits, is it an impenetrable barrier to employment?

Mr. Geletka, let me begin with you, what types of health benefits have you been able to provide with your range of employers, and would you be able to do it without section 1619, and the other health benefits options that are available?

Mr. GELETKA. I think in the special project that we have, the demonstration project with the Social Security Administration, to place SSDI beneficiaries, it is an essential element to the success of that project.

Mr. BARTLETT. Would you have been able to succeed without it?

Mr. GELETKA. That's yet to be determined. The project has only been in operation for about 8 months, and the individual five projects have been phased in over that period of time and I don't think we have enough information to make a judgment yet.

Let me speak, however, to our experience with the Projects With Industry Program which has been in existence for about 7 or 8 years. Included among the 3,500 or so disabled individuals who have been placed under this program have been a number of SSDI beneficiaries.

We have found that it is an education process that needs to be done with particularly the medical staff of some of the major corporations that have been involved.

Now, when that is successfully implemented, an awareness program, many of the individuals are not seen as being sick or particularly major risks to the medical programs, existing personnel programs, and those individuals have been accommodated.

We make an effort to treat every individual that comes through the PWI Program as a qualified, potentially qualified, employee entitled to all of the benefits that the company has to offer to any other employee, with no exception. Consequently, all of those individuals that have been placed through the PWI Program have been entitled to the health benefits that every other employee is provided by those employers.

Mr. BARTLETT. Mr. Griss.

Mr. GRISS. There is a very interesting distinction between a program like PWI, which is primarily targeted to people on SSDI, and this bill, H.R. 2030, which is targeted specifically to people on SSI. The PWI projects are mostly with large corporations. They have group policies with insurance companies that are comprehensive, and that have a large enough pool so that the insurance company doesn't underwrite the individual's particular needs. So when you

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are going to a corporation like McDonald's or any of these large companies, they have a large pool—the insurance company doesn't give them a high premium, the employer can extend that coverage.

Most people on SSI are going to get jobs in the service sector—small employers, part-time work. Those are the characteristics of employers that provide no insurance to anybody—disabled or not disabled.

We have a major problem on our hands here, not just for the disability community, but Government in general looking at the uninsured in this country, which represent a good 10 to 15 percent of our population. That's why there's some interest in Wisconsin in overlapping strategies for the disabled and strategies for all uninsured persons. That's my interest.

But realize that if you want to help people on SSI, they are not going to get picked up by their employers. The insurance companies aren't going to touch them either. So it's either Medicaid or they probably won't work.

Also realize that different States have different Medicaid programs. Wisconsin doesn't use Medicaid for attendant care. California doesn't use Medicaid for attendant care. Some of the other States do. That means that a disabled person in California or Wisconsin, even if they are on 1619, will not be able to get access to attendant care. Actually, California has a special attendant care program, a PCA Program. We are trying to figure out how to develop such a thing in Wisconsin. Unless States try to piece together these different pieces, there will be continuing barriers to employment.

Now, it's true that different groups within the disabled population have different needs. In my survey, I was able to break people down by different types of disabilities as well as by different types of barriers. That's why I wanted to submit my study for your examination.

If you have an unstable health condition, as many people do, with a condition like multiple sclerosis, that means you are even more likely to have high health care costs. Insurance companies won't touch you. You will need a lot of Medicaid services. But if you have mental retardation, your need for hospitalization is practically nil, practically no higher than any nondisabled person. But you still may need that Medicaid, that health benefit, because of what it can provide in that particular State.

So I think there is a very close connection between the income issue which 1619 addresses very nicely, and the health care issue which 1619(b) addresses directly.

Mr. BARTLETT. Mr. Ashe.

Mr. ASHE. I would only add quickly that Mr. Griss is correct. The larger percentage, in fact, over 60 percent of the positions that we occupy, are service-related industries. They are high turnover positions irrespective of who holds the job. That's a percentage that is pretty similar in the programs like ours in Virginia, Illinois, and Oregon, that I am aware. These positions don't offer health benefits to anyone.

Where we have a position that we take that does have health benefits, all of the persons that we place would have those health benefits, so there would be no discrimination on the basis of the

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people that we place in terms of their handicap; just simply that the high turnover positions just don't ordinarily offer them. If they do offer it, they offer like 20 percent coverage, or 50 percent coverage. There's only two or three situations we have where there has been better health benefits.

Mr. BARTLETT. Mr. Ashe, you testified that if 1619 were to expire in June of 1987, it would severely impair your ability to give people a chance to become employed.

Mr. ASHE. That's right.

Mr. BARTLETT. Is your ability impaired now by the temporary nature of 1619?

Mr. ASHE. It raises major concerns by parents. Most of the people that we work with are persons that are living at home. The questions that parents ask us when we talk with them is: What's going to happen to my son or my daughter's disability payments? What's going to happen to the Medicaid coverage? We don't have health insurance to cover the individual.

Also typically, a lot of the families that we work with are low-income families by themselves, so they don't have resources. The income they have and the benefits are very important in terms of the nucleus of the home.

Thus far, the parents have been, in most cases, willing to go along with employment because they feel that the quality of their son or daughter's life is going to be immeasurably improved as a function of employment. We would agree with that as well.

They have been willing to take the chance, in most cases. Although I feel very strongly that because of the experience with these folks and the kinds of concerns they have about health benefits if 1619 expired, they would not be willing, or they would control the access of the number of hours and the earnings to assure that their sons or daughters do not go over the $300 limit. That's what has happened in a number of cases where we have had people on SSDI that we have placed.

Mr. BARTLETT. So they would manipulate it.

Let me ask some specific questions as to 1619. Mr. Griss, you had in particular some suggestions for improving 1619. Let me ask each of you to respond to any or all of other suggestions that have been raised. One is in lieu of permanently authorizing, would grandfathering recipients have the same effect as far as giving people the assurance that they would continue to have medical coverage?

Second, is: Should we do something with reinstatement rights to be certain that someone knows that they can be reinstated in the future with a minimum of hassle?

Third: Is a major simplification in order and, if so, would you recommend that we simplify it by separating 1619 into a separate program or some other mechanism?

And, last: Would you include SSDI coverage for 1619 or 1619 like coverage?

And, one other, and that is: Would you think about constructing some way for disabled persons who are medically indicated disabled and unable to get health insurance coverage and go over the income threshold to permit them to purchase health insurance from Medicare or from some similar program?

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Which of those, if any, would you pursue if you were in our shoes?

Mr. Griss.

Mr. GRISS. Actually, I am pursuing all of them right now at the State level, in looking at options for—providing insurance to all persons without adequate insurance.

The reinstatement right issue, I think, is really crucial. One needs to improve on the existing 1619 bill because of the month-before-the-month rule. This regulation penalizes someone who, let's say, inherits some money in 1 month, or more importantly, is working over the SGA level temporarily. He may have thought he was working permanently, but for some reason out of his control, he finds himself unemployed, having already demonstrated that he has the capacity to work. That is tantamount to admitting you are not disabled. I think the question of reentitlement is a crucial part of the solution.

The fact that this bill doesn't address the SSDI population is a personal concern of mine. Most of the people, over three-quarters of the people on SSDI, have already been employed before they became disabled. Two-thirds of all the persons who are severely disabled were working before they became disabled. Their employer didn't see a way of keeping them on. So they ended up on SSI or SSDI. To me, that's an important link that needs to be improved. That's a point of intervention which I think we ought to be looking at creatively. Maybe title II and III are ways to address that—helping employers see how to retain people more effectively.

I think that work incentives would work better with the SSDI population because they already have work experience. They have already had employment experience. I think the people on SSI deserve the right to work also. So I strongly favor this particular bill.

As far as using this bill to address the SSDI population, obviously, the people on SSDI who are not also on SSI, are not eligible for Medicaid. Some of them would be if their SSDI cash payment was not as high as it is.

I think if you wanted to be extra creative you could allow your bill to help those people who would have met all the SSI requirements except for the fact that their SSDI payment is over the Federal break-even point of $735 a month. That's one way to begin to chip away at this much larger problem of the people on SSDI. I say larger, because there are more of them, as well as the fact that they have more work experience.

On the question of private health insurance, I think if you can get a private solution to this problem, that can be positive, too.

Interestingly enough, the health insurance risk-sharing plan solution, which Rep. Barbara Kennelly has introduced legislation on, and which Wisconsin already has 1 of the 8 health insurance risk-sharing plans is fine for people who have very high health care costs. That is, if you can afford a $2,000 premium and a $2,000 deductible in copayment. In other words, if you already spend out-of-pocket more than $4,000, then this type of health insurance risk-sharing plan is fine. You see, the Government isn't in on it at all. The private insurance companies pick up the difference between what the subscribers pay and what the total costs are.

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One of the problems that we have discovered in Wisconsin is that self-insured employers are exempt from contributing to that fund. Of course, the largest employers are the ones who are self-insured, including the State of Wisconsin. Unless we figure out a way to have all employers or all insurance plans, whether among the self-insured or through private insurance companies, to contribute to such a fund, I don't know that we have an adequate solution.

Basically what we are facing is how to distribute equitably real costs. This isn't a psychological problem. This isn't a problem that some people, you know, they don't know if they can work. Sure, there are psychological dimensions to it, but there are some very objective barriers. Until we can remove those objective barriers, I don't think we are going to get very far.

Mr. GELETKA. Again, my direct experience with those four points, I think, that you have raised is very limited. They all, from our own indirect experience, seem like very positive measures that ought to be taken. I think that I would agree with Mr. Griss and I would assume Mr. Ashe's comments as well on those four points.

Mr. BARTLETT. Mr. Ashe.

Mr. ASHE I would agree with Mr. Griss, particularly the SSDI issue. We have not had very many people that we have worked with who are on SSDI and not also on SSI. In the cases that we have had people in that category, it has been a severe impediment. In a couple of cases—I can think of one—her name is Norma. She was placed into a job which was going to jeopardize, for the sake of her $400-a-month salary, was going to jeopardize $800 in Social Security. She didn't think that was a very fair trade.

Now, some compromise around that in terms of the amount of money that she would be receiving and from her wages and the SSDI would have been more than acceptable. In her case, she had a very rare condition known as diabetes insipidus and required medical attention in Chicago in order to have it treated effectively. If she had access to the health insurance, it would have been a major assistance to her in terms of maintaining her employment. In her particular case, her not working was her choice ultimately, and her family's choice.

With respect to the reinstatement issues, I would agree with Mr. Griss.

As far as the grandfather clause, I think I would agree with you, Congressman. I think it is time that 1619 be made permanent. I do not believe that we need more study. I think the time is now to make it permanent and that if for some reason that could not happen, having some grandfather clause that would at least protect those individuals who have become employed, would certainly be necessary.

Mr. BARTLETT. Thank you. Thank you, Mr. Chairman, for the additional time.

Mr. WILLIAMS. You are welcome.

We appreciate your testimony which, in itself, answered most of my questions. Those that were not answered in the testimony were answered by you in response to Mr. Jeffords and Mr. Bartlett, so I have no additional questions.

We appreciate your good counsel and thank you for being here.

The subcommittee hearing is adjourned.

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[Whereupon, at 1 p.m., the subcommittee adjourned.]
[Material submitted for inclusion in the record follows:]

GOODWILL INDUSTRIES OF AMERICA, INC.,
Bethesda, MD, October 30, 1985.

Hon. PAT WILLIAMS,
Chairman, Subcommittee on Select Education, Committee on Education and Labor, 617 House Office Building Annex No. 1, Washington, DC.

DEAR MR. CHAIRMAN: On behalf of Goodwill Industries of America, Inc. (GIA) and our 174 local affiliates, we appreciate this opportunity to submit for the record our views on H.R. 2030, the Employment Opportunities for Disabled Americans Act of 1985. As you requested, we will confine our comments to exploring whether the legislation is the best approach for meeting the goals of H.R. 2030: To create conditions for the increased employment of individuals with disabilities.

Title I of the bill would make permanent Section 1619 of the Social Security Act, a work incentive provision that authorizes continued Supplemental Security Income (SSI) and Medicaid benefits to individuals who are able to engage in substantial gainful activity (SGA) but because of their disabilities are still in need of support benefits to enable them to continue to work. GIA strongly supports a permanent extension of this program beyond the scheduled June 30, 1987 expiration date.

Two basic problems have plagued this work incentive program since its inception in 1980. First, there has been a distinct lack of publicity about this valuable program among Social Security Administration (SSA) personnel, vocational rehabilitation counselors and SSI recipients. Last year, in extending Section 1619, Congress instructed SSA to implement training and outreach efforts designed to boost the participation in this program. GIA, along with other nonprofit rehabilitation organizations, met with SSA officials earlier this year to review their training materials, and information on Section 1619 has been provided to all local Goodwills. We also understand that training on Section 1619 was mandatory in SSA field offices and that SSI recipients will be receiving program information along with their November benefit checks. We believe that these positive steps should add to the 7,210 individuals with disabilities that SSA estimates were participating in the program (as of August, 1984). This low rate of participation, however, is directly affected by the second major problem confronting the Section 1619 program—its temporary nature.

While certainly not the only work disincentive built into the Social Security programs, loss of Medicaid coverage by an individual with disabilities seeking to become self-supporting is a primary one. Although Congress enacted in 1980 additional work incentive provisions (such as a 9-month trial work period and a 15-month reentitlement period for SSI recipients, and a 24-month extension of Medicare benefits for Social Security Disability Insurance [SSDI] beneficiaries), we contend that the loss of federal medical benefits is a major reason that prevents individuals with disabilities from seeking and continuing long-term employment. Employers of workers with disabilities are often unable or unwilling to provide private health insurance to these individuals. Obtaining health insurance on their own is usually prohibitively expensive. As a result, continuation of long-term, federally-provided health benefits is really the only option if these individuals can hope to become economically self-sufficient.

SSI recipients who are participating in the Section 1619 program first faced tremendous uncertainty when Section 1619 lapsed on December 31, 1983 (although the program was extended under existing authority). They now confront a similar predicament on June 30, 1987. Given this "on again, off again" situation, the reluctance of more SSI recipients to participate in this program is understandable. (We believe that if Congress does not extend Section 1619 beyond the current expiration date, legislation should be enacted to provide special Medicaid protection for these individuals who in good faith participated in the program.)

Before discussing the other elements of H.R. 2030, we would like to raise an additional issue. As enacted, Section 1619 applies only to SSI recipients. In not extending the work incentive provisions of this program to SSDI beneficiaries, Congress has made an artificial distinction between two "classes" of individuals with disabilities. Accordingly, we strongly urge Congress to rectify this situation by extending the Section 1619 work incentives to SSDI beneficiaries.

Titles II and III of H.R. 2030 would establish two new categories of demonstration projects under the Rehabilitation Act of 1973 intended to increase employment opportunities for both SSDI and SSI recipients. Grants for limited duration would be provided to encourage employers to retain and retrain employees who become disabled. States would also be eligible for grants to secure job placement for SSDI and SSI recipients. Goodwill Industries is uniquely qualified to comment on programs of

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this type. Since 1976, GIA has participated in the Projects With Industry (PWI) program, placing nearly 10,000 individuals with disabilities into competitive employment. Two-thirds of those placed were severely disabled individuals. Currently, GIA administers 24 local PWI projects with funds provided under the Rehabilitation Act and an additional 15 sites with grants from the Department of Labor under the Job Training Partnership Act. The federal cost-per-placement has been only about $525 (supplemented by Goodwill's investment of $400 per placement of its own funds). Goodwill Industries' success in administering its PWI program is based in large part on the flexibility built into the program which allows it to be adapted to each community's needs. This flexibility is missing from the PWI-type programs authorized in H.R. 2030. Rather than create two new programs, we believe these jobs placement goals could be greater accomplished through increased grants under current Projects With Industry authority.

To summarize Goodwill Industries' position on H.R. 2030:

We strongly support the permanent extension of Section 1619 contained in Title I of the legislation. We also urge that the program be expanded to cover SSDI beneficiaries.

We believe that the two new demonstration programs authorized in Titles II and III of H.R. 2030 are not needed at this time. Expansion of the proven Projects With Industry program under existing authority is a better response to increasing employment opportunities for people with disabilities.

Finally, we would like to respond to the suggestion that many of the work disincentives contained in benefit programs for individuals with disabilities could be removed simply by increasing the substantial gainful activity level. Currently, SGA is $300 per month for people with disabilities ($610 per month for blind individuals). Raising the SGA level would provide direct and immediate benefits to both SSDI and SSI recipients, and to rehabilitation facilities—such as Goodwill Industries—who provide employment to these people.

However, we believe increasing the SGA is a secondary issue. Both the SSDI and SSI programs are based on a narrow definition of disability as being the inability to engage in SGA as a result of a physical or mental impairment that is expected to last at least one year. Under this parameter, there is no recognition of partial disability. This "disabled" or "not disabled" approach fails to recognize that some individuals with severe disabilities may be able to earn in excess of some artificial SGA amount, but not on a consistent or long-term basis. This all-or-nothing approach is inconsistent with both medical and economic realities. Rather than increase the SGA level, we believe that Congress should consider amending the SSDI and SSI programs to provide for recognition of partial disability to cover those individuals who, despite their impairments, can become more economically self-sufficient but, at the same time, still require access to social services other than cash benefits.

Again, we appreciate this opportunity to comment on H.R. 2030 and we would be pleased to respond to any question you or your staff may have.

Sincerely,

DAVID M. COONEY,
Rear Admiral, USN (Retired), President and Chief Executive Officer.

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